

# OFFICIAL STATEMENT DATED AUGUST 23, 2016

Rating: See "Rating" herein.

Standard & Poor's Ratings Services: AAA

## New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds are designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

## TOWN OF CHATHAM, MASSACHUSETTS \$7,390,000 GENERAL OBLIGATION REFUNDING BONDS

**DATED**  
Date of Delivery

**DUE**  
August 1  
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in denominations of \$5,000, or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable August 1 of the years in which the Bonds mature. Interest on the Bonds will be payable February 1 and August 1 of each year, commencing February 1, 2017. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Chatham, Massachusetts, and except to the extent they are paid from other available moneys, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of principal and interest payments the Town has not voted to exempt from that limit.

## MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

Due August 1	Principal Amount	Interest Rate		Yield	Cusip 162105	Due August 1	Principal Amount	Interest Rate	Yield	Cusip 162105
2017	\$ 445,000	4.00	%	0.50	% VX5	2023	\$ 770,000	4.00	% 1.13	% WD8
2018	445,000	4.00		0.52	VY3	2024	725,000	3.00	1.20	WE6
2019	1,395,000	4.00		0.60	VZ0	2025	605,000	3.00	1.25	WF3
2020	1,040,000	4.00		0.71	WA4	2026	350,000	3.00	1.35	WG1
2021	775,000	4.00		0.83	WB2	2027	40,000	2.00	1.55	WH9
2022	770,000	4.00		1.00	WC0	2028	30,000	2.00	1.65	WJ5

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. FirstSouthwest, Boston, Massachusetts has acted as Financial Advisor to the Town, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about September 1, 2016, against payment to the Town in federal funds.

**RAYMOND JAMES & ASSOCIATES, INC.**

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

## SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Tuesday, August 23, 2016, 11:00 A. M. (Eastern Time).
Location of Sale:	FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"; see "Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc." herein), 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Chatham, Massachusetts.
Issue:	\$7,390,000 General Obligation Refunding Bonds, see "THE BONDS-Book-Entry Transfer System" herein.
Official Statement Dated:	August 23, 2016.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially August 1, 2017 through August 1, 2028, as detailed herein.
Interest Payable:	February 1 and August 1 of each year, commencing February 1, 2017.
Purpose and Authority:	Bond proceeds will be used to refund general obligation bonds of the Town originally issued on August 1, 2005 and July 15, 2008 as detailed herein. See "Authorization of the Bonds and Use of Proceeds."
Redemption:	The Bonds are not subject to redemption prior to their stated maturity dates.
Security:	An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Chatham, Massachusetts, and except to the extent they are paid from other available moneys, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of principal and interest payments the Town has not voted to exempt from that limit.
Credit Rating:	Standard & Poor's Ratings Services has assigned a "AAA" rating to the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. <b><u>No bid of less than par will be accepted.</u></b>
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds are designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying/Escrow Agent:	U.S. Bank National Association, Boston, Massachusetts.
Verification Agent:	Grant Thornton LLP, Minneapolis, Minnesota.
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts.
Financial Advisor:	FirstSouthwest, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about September 1, 2016, against payment in federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Ms. Alix Heilala, Finance Director, Town of Chatham, Massachusetts Telephone (508) 945-5108 or Cinder McNerney, Managing Director, FirstSouthwest, Boston, Massachusetts Telephone (617) 619-4408.

## NOTICE OF SALE

### TOWN OF CHATHAM, MASSACHUSETTS

#### **\$7,650,000\* GENERAL OBLIGATION REFUNDING BONDS**

The Town of Chatham, Massachusetts (the "Town") will receive sealed and electronic proposals (as described herein) until 11:00 A.M., Eastern Time, Tuesday, August 23, 2016, for the purchase of the following described General Obligation Refunding Bonds of the Town (the "Bonds"):

\$7,650,000\* General Obligation Refunding Bonds payable August 1 of the years and in the amounts as follows:

Due August 1	Principal Amount*	Due August 1	Principal Amount*
2017	\$ 480,000	2023	\$ 790,000
2018	475,000	2024	740,000
2019	1,445,000	2025	625,000
2020	1,065,000	2026	360,000
2021	800,000	2027	45,000
2022	790,000	2028	35,000

\*Preliminary, subject to change.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on August 1 of the years in which the Bonds mature. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2017.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to beneficial owners will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of FirstSouthwest, Boston, Massachusetts and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge to such purchaser.

The Bonds are not subject to redemption prior to their stated maturity dates.

#### **Bidding Parameters**

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent, and (c) no coupon rate in excess of 4.0%.

**No bid of less than par will be accepted.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the Town Treasurer by lot among all such proposals.

**The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule for the Bonds after the determination of the winning bid by increasing or decreasing the aggregate principal**

amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding to be undertaken by the issuance of the Bonds after taking into account the premium received by the Town and the actual investment yield at which the proceeds of such portion of the Bonds are to be invested and (b) account for any changes in the bonds to be refunded with proceeds of the Bonds based on the actual debt service savings to be realized by the Town. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid, nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

Bids must be submitted either:

- (b) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Alix Heilala, Finance Director, Town of Chatham, Massachusetts c/o FirstSouthwest, 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to FirstSouthwest, telephone (617) 619-4400, at least one-half hour prior to the 11:00 A. M. sale and after receipt of the faxed bid form by FirstSouthwest. FirstSouthwest will act as agent for the bidder, but neither the Town nor FirstSouthwest shall be responsible for any errors in connection with bids submitted in this manner.
- (c) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Ratings Services for a rating on the Bonds. Any such fee paid to Standard & Poor's Ratings Services would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated August 16, 2016, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Treasurer to the effect that, to the best of her knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of August 23, 2016 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons

acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement dated August 16, 2016.

The Bonds are designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the "Code").

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated August 16, 2016, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from FirstSouthwest, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 10 copies of the Final Official Statement will be available from FirstSouthwest to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds in definitive form will be delivered to DTC or its custodial agent on or about September 1, 2016 for settlement in federal funds.

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TOWN OF CHATHAM, MASSACHUSETTS  
/s/ Alix Heilala, Finance Director

August 16, 2016

## OFFICIAL STATEMENT

### TOWN OF CHATHAM, MASSACHUSETTS

#### \$7,390,000 GENERAL OBLIGATION REFUNDING BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Chatham, Massachusetts (the "Town") in connection with the sale of \$7,390,000 aggregate stated principal amount of its General Obligation Refunding Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another governmental agency or official as the source.

### THE BONDS

#### Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest payable semiannually on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds shall mature on August 1 of the years and in the principal amounts as set forth on the first page of this Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

#### Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date; provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

#### Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing

agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Town or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.



## Authorization of the Bonds and Use of Proceeds

<u>This Issue</u>	<u>Purpose</u>	<u>Law Cite (M.G.L., CH. 44 as amended)</u>
\$ 7,390,000	Refunding	21A

Bond proceeds will be used to current refund the Town's \$9,903,000 General Obligation Bonds dated August 1, 2005, maturing in the years 2017 through 2025, in the aggregate principal amount of \$2,810,000 (the "2005 Bonds"), to advance refund the Town's \$15,431,000 General Obligation Municipal Purpose Loan of 2008 Bonds dated July 15, 2008, maturing in the years 2019 through 2028, in the aggregate principal amount of \$4,985,000 (the "2008 Bonds" and together with the 2005 Bonds, the "Refunded Bonds") and to pay costs associated with issuing the Bonds and refunding the Refunded Bonds.

### Plan of Refunding

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Refunding Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Refunding Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount that will be held in cash and an amount that will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium (if any) on, the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

### Verification of Mathematical Computations

The accuracy of the mathematical computations relating to the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by FirstSouthwest on behalf of the Town. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by FirstSouthwest and has not evaluated or examined the assumptions or information used in the computations.

### Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

#### Sources:

Par Amount of the Bonds	\$ 7,390,000.00
Premium	953,355.56
Cash Contribution	8,516.66
Total Sources	<u><u>\$ 8,351,872.22</u></u>

#### Uses:

Deposit to Refunding Escrow Fund	\$ 8,231,475.73
Purchaser's Discount	22,335.43
Costs of Issuance	98,061.06
Total Uses	<u><u>\$ 8,351,872.22</u></u>

## Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences or as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or

future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Security and Remedies**

**Full Faith and Credit.** General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" (see "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

**Tax Levy.** The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "*Tax Limitations*" Under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "INDEBTEDNESS-Authorization Procedures and Limitations" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

**Court Proceedings.** Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "*Tax Limitations*" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

**Restricted Funds.** Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus

in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

*State Distributions.* State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority ("MWRA") if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by The Commonwealth of Massachusetts (the "Commonwealth") to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

*Bankruptcy.* Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

## **Opinion of Bond Counsel**

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

## **Rating**

Standard & Poor's Ratings Services has assigned a "AAA" rating to the Bonds. Said rating reflects only the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

## **Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc.**

First Southwest Company, LLC ("FirstSouthwest") merged with its common control affiliate, Hilltop Securities Inc. ("HilltopSecurities"). The merger was completed at the close of business on January 22, 2016, at which time HilltopSecurities, as the surviving entity, automatically assumed all rights and obligations of FirstSouthwest. The firm's municipal advisory business will continue to operate as FirstSouthwest, a Division of Hilltop Securities Inc.

FirstSouthwest, Boston, Massachusetts serves as financial advisor to the Town of Chatham, Massachusetts.

## **Continuing Disclosure**

In order to assist the original purchasers of the Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

**The Town became obligated to file annual reports and notices of significant events with the nationally recognized municipal securities information repository (NRMSIR) in an offering that took place in 2001. Due to an administrative oversight, the required audited financials for the fiscal years ending 2011, 2012, 2013 and 2014 were not timely filed with Electronic Municipal Market Access (EMMA), a service of the Municipal Securities Rulemaking Board that was designated as the sole NRMSIR effective July 1, 2009. Each of these filings, along with a notice of late filing, have since been filed. The Town has implemented procedures to ensure timely filing of all future financial information.**

## TOWN OF CHATHAM, MASSACHUSETTS

### General

The Town of Chatham, Massachusetts ("Chatham"), one of the oldest townships of Cape Cod (Barnstable County), was settled in 1656 and incorporated June 11, 1712. It is governed by an open town meeting form of government. The Town has a year-round population of approximately 5,988 and a summer population of approximately 30,000.

Chatham is located at the elbow of Cape Cod, bordered by Pleasant Bay and Orleans on the north, the Atlantic Ocean on the east, Nantucket Sound on the south, and the Town of Harwich on the west. The Town is about 19 miles from Hyannis, 90 miles from Boston, and 250 miles from New York City. The land area of the Town of Chatham is 16.13 square miles with a tidal shoreline of 66.8 miles.

### Governing Bodies and Officers

Subject to the legislative decisions made by the open town meeting, the affairs of the Town are generally administered by a board of five selectmen elected for overlapping three year terms, and by a Town Manager appointed by the Board of Selectmen. A three member Board of Assessors appointed for overlapping three year terms determines the value of real and personal property upon which local taxes are assessed.

#### Principal Executive Officers

Office	Name	Selection/Term	Term Exp.
Selectman Chairman .....	Jeffrey Dykens	Elected/3 yrs.	2019
Selectman, Vice Chairman .....	Cory Metters	Elected/3 yrs.	2018
Selectman, Clerk .....	Amanda Love	Elected/3 yrs.	2019
Selectman .....	Seth Taylor	Elected/3 yrs.	2017
Selectman .....	Dean Nicastro	Elected/3 yrs.	2018
Town Manager .....	Jill R. Goldsmith	Appointed	2019
Finance Director/Accountant .....	Alexandra Heilala	Appointed	Indefinite
Town Clerk .....	Julie S. Smith	Appointed	Indefinite
Town Treasurer/Tax Collector .....	Tawnya Menesale	Appointed	Indefinite
Town Counsel .....	Louison, Costello, Condon & PFAFF, LLP	Appointed	March 2018

### Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, water, sewer, emergency ambulance service, a municipal airport, public education in grades kindergarten through twelve, which became Monomoy Regional School District effective July 1, 2012, a library, a sanitary landfill, streets, parks, beaches, and recreation. The Cape Cod Regional Technical High School District provides technical education in grades 9-12. The Cape Cod Regional Transit Authority provides bus service to the Town.

The principal services provided by Barnstable County are space for courts, a jail and house of correction and registry of deeds. Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999, and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

## Economy

Chatham is a residential resort community at the elbow of Cape Cod, characterized by a large retired community and a highly stable summer population. A substantial portion of its summer residents either own property in Chatham or are repeat visitors. The following table lists the major categories of income and employment for the Town.

### Employment and Payrolls Town of Chatham

Industry	Calendar Year Average				
	2014	2013	2012	2011	2010
Construction & Natural Resources	279	250	217	180	184
Manufacturing	68	65	65	65	70
Trade, Transportation and Utilities	528	516	506	490	469
Financial Activities	130	131	128	131	132
Professional and Business Services	262	253	256	262	256
Education and Health Services	872	470	475	490	466
Leisure and Hospitality	1,024	993	949	916	927
Information & Other Services	137	144	146	137	141
Total Employment	3,300	2,822	2,742	2,671	2,645
Number of Establishments	403	387	384	400	403
Average Weekly Wage	\$ 790	\$ 734	743	\$ 740	\$ 726
Total Wages	\$ 144,738,885	\$ 115,828,756	\$ 112,377,191	\$ 109,578,575	\$ 106,492,378

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification of U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

## Largest Employers

The following table sets forth the largest employers in the Town exclusive of the Town.

Name	Product/Function	Approximate No. of Employees	
		Year-Round	Seasonal
Liberty Commons Rehabilitation & Skilled Care Center .....	Nursing Home/Rehab	198	198
Chatham Bars Inn.....	Resort Inn	170	560
Chatham Squire Restaurant & Tavern ....	Restaurant/Tavern	75	140
Ocean State Job Lot.....	Retail Outlet	40	60
Chatham Wayside Inn .....	Inn & Restaurant	35	75
The Impudent Oyster .....	Restaurant/Lounge	28	46

## Unemployment

According to the Massachusetts Division of Employment Security preliminary data, in May 2016, the Town had a labor force of 2,869, of which 2,760 were employed and 109 or 3.8% were unemployed as compared with 4.3% for Barnstable County and 3.8% for the Commonwealth (unadjusted). The following table sets forth the Town's average labor force and unemployment rates for each of the last six calendar years and the unemployment rates for the County and Commonwealth as a whole for the same period.

## Unemployment Rates

Calendar Year	Town of Chatham			Barnstable County	Massachusetts
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Employment Rate
2015	2,910	2,726	6.3%	6.3%	N.A.
2014	2,910	2,726	6.3	7.0	5.0%
2013	2,878	2,672	7.2	8.0	6.7
2012	2,893	2,690	7.0	8.1	6.7
2011	2,840	2,262	7.5	9.0	7.2
2010	2,888	2,638	8.7	9.9	8.3

SOURCE: Massachusetts Department of Employment and Training. Data based upon place of residence, not place of employment. Monthly data is not seasonally adjusted for the Town and County.



## Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and additions/alterations for the current calendar year to date and each of the prior five calendar years. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits are filed and estimated valuations are shown for both private constructions as well as for Town projects.

### Building Permits Issued

Calendar Year	New Construction				Additions/ Alterations		Totals	
	Residential		Non- Residential		No.	Value	No.	Value
	No.	Value	No.	Value				
2016 <sup>(1)</sup> .....	22	\$8,247,400	2	\$575,000	356	\$11,741,860	380	\$20,564,260
2015.....	110	25,558,699	1	150,000	714	57,212,839	825	82,921,539
2014.....	48	44,643,241	48	4,950,739	676	33,148,956	772	82,742,936
2013.....	41	27,787,000	34	4,523,640	585	30,898,934	660	63,209,574
2012.....	37	28,684,000	40	3,681,472	536	21,457,034	613	53,822,506
2011.....	33	17,989,000	23	2,754,315	504	19,469,290	560	40,212,605

SOURCE: Building Inspector

(1) Issued through June 30, 2016.

## Education

The Schools in the Towns of Chatham and Harwich became Monomoy Regional School District effective July 1, 2012 for all grades pre-k through grades 12. A new regional high school was built in Harwich and houses grades 8 – 12 and the previous Chatham Middle/High School became the Middle School for the District for grades 5 – 7. Each town has its own K– 4 Elementary Schools. The new Monomoy Regional School District building opened in September 2014. Presently, Chatham is responsible for 27% of the enrollment/budget and Harwich is responsible for approximately 73%. Technical education at the high school level is provided by the Cape Cod Regional Technical High School District.

The following table sets forth the trend in enrollments for the various schools attended by Chatham students.

### Public School Enrollments - October 1 (Chatham Students Only)

	Actual					Projected
	2011	2012 <sup>(1)</sup>	2013	2014 <sup>(2)</sup>	2015	2016
Elementary (K-4).....	173	215	164	166	173	174
Middle/High School (5-12) .....	250	280	180	222	228	230
Cape Cod Lighthouse Charter School (6-8).....	9	10	15	13	13	13
School Choice .....	198	89	82	47	61	57
Cape Cod Regional Tech High School District .....	19	23	21	17	11	11
TOTALS	649	617	462	465	486	485

SOURCE: Chatham Elementary School, Middle/High School, Cape Cod Regional Technical High School District and Cape Cod Lighthouse Charter School.

(1) Became Monomoy Regional School District as of July 1, 2012.

(2) Monomoy Regional High School opened in September 2014 for grades 8 – 12.

In addition to the Town, the Cape Cod Regional Technical High School District members include the towns of Barnstable, Brewster, Dennis, Eastham, Harwich, Mashpee, Orleans, Provincetown, Truro, Wellfleet and Yarmouth. Total capacity of the District's facilities is estimated at 650 students. October 1, 2015 enrollment was 618 students.

Cape Cod Lighthouse Charter School opened in Orleans in September 1995. Students are attending from the towns of Barnstable, Brewster, Chatham, Dennis, Eastham, Harwich, Mashpee, Orleans, Provincetown, Sandwich, Truro, Wellfleet and Yarmouth. The October 1, 2015 enrollment was 228 students.

## Transportation and Utilities

Principal highways serving the Town include U.S. Route 6 and State Routes 28, 6A and 137. The Cape Cod Regional Transit Authority provides van service to all fifteen towns on the Cape, including Chatham, and is primarily used by the elderly and handicapped. Established trucking firms provide competitive service locally and to long-distance points. Bus service to Boston, New York, and the Springfield-Worcester area is provided by a private bus line in the nearby town of Barnstable. The Chatham Municipal Airport provides access for private and corporate planes with a 3,000 foot runway. There is a seaplane base located adjacent to the airport.

Gas and electric services are provided by established private utilities.

## Population, Income and Wealth Levels

	<u>Chatham</u>	<u>Barnstable County</u>	<u>Massachusetts</u>
Median Age			
2009 – 2013 (5 year est.)	57.5	50.4	39.2
2000 .....	53.9	44.6	36.5
1990 .....	51.4	39.5	33.6
Median Family Income 2009 –			
2013 (5 year est.)	\$83,972	\$76,311	\$84,900
1999 .....	56,750	54,728	61,664
1989 .....	36,961	38,117	44,367
Median Household Income 2009 –			
2013 (5 year est.)	\$64,936	\$60,526	\$66,866
1999 .....	45,519	45,933	50,502
1989 .....	31,315	31,766	36,952
Per Capita Income			
2009 – 2013 (5 year est.)	\$45,078	\$36,142	\$35,763
1999 .....	28,594	25,318	25,952
1989 .....	18,471	16,402	17,224

SOURCE: Federal Bureau of the Census. On the basis of the 2010 Federal Census, the Town has a population density of 374 persons per square mile. The following table sets forth the trend in the year-round population of the Town. (The Town's summer population is estimated to average approximately 30,000.) The Town estimates its population to be 5,988.

## Population Trends

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
6,125	6,625	6,579	6,071	4,550

SOURCE: Federal Census.

## PROPERTY TAXATION

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see “*Property Tax Limitation*” below. As to the inclusion of debt service and final judgments, see “SOURCE OF PAYMENT AND REMEDIES” above.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

### Tax Levy Computation

The following table sets forth the Town's tax levy calculation for each of the last five fiscal years.

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Total Appropriations <sup>(1)</sup>	\$38,063,638	\$39,277,774	\$41,009,158	\$44,671,838	\$41,810,637
Additions:					
State & County Assessments .....	1,203,111	650,846	658,638	675,551	694,400
Overlay Reserve .....	245,374	448,518	336,575	376,928	374,107
Other Additions .....	1,566,836	192,428	86,484	29,302	565,511
Total Additions .....	3,015,321	1,291,792	1,081,697	1,081,781	1,634,018
Gross Amount to be Raised .....	41,078,959	40,569,566	42,090,855	45,753,619	43,444,655
Deductions:					
Local Estimated Receipts .....	9,278,233	8,961,754	9,165,798	9,633,588	8,971,629
State Aid <sup>(2)</sup>					
Current Year .....	3,352,690	1,152,599	1,144,053	1,148,015	1,143,639
Available Funds: <sup>(3)</sup>					
Free Cash .....	814,300	110,967	807,438	2,913,494	787,000
Other .....	1,511,819	1,211,044	1,619,988	2,371,031	1,401,738
Free Cash Used to Reduce Tax .....	-	-	-	-	-
Total Deductions .....	14,957,042	11,436,364	12,737,277	16,066,128	12,304,006
Net Amount to be Raised .....					
(Tax Levy) .....	<u>\$26,121,917</u>	<u>\$29,133,302</u>	<u>\$29,353,578</u>	<u>\$29,687,491</u>	<u>\$31,140,649</u>

(1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting of the tax rate.

(2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold (generally quarterly) payments pending receipt of State and County assessments. See “TOWN FINANCES--Revenues-State Aid.”

(3) Transfers from other available funds, including “Free Cash,” are generally made as an offset to a particular appropriation item.

## Assessed Valuations and Tax Levies

The following table sets forth the trend in the Town's assessed valuations, tax rates and tax levies.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation	Tax Levy
2016	\$6,163,159,580	\$40,156,880	\$6,203,316,460	\$5.02	\$31,140,649
2015	5,910,781,570	38,615,420	5,949,396,990	4.99	29,687,491
2014	5,742,595,770	35,667,540	5,778,263,310	5.08	29,353,578
2013	5,757,212,520	34,676,510	5,791,889,030	5.03	29,133,202
2012	5,835,216,800	34,877,010	5,870,093,810	4.45	26,121,917

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

Although an allowance is made in the tax levy for abatements (see "*Abatements and Overlay*" below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "*Taxation to Meet Deficits*" below).

### Classification of Real Property

Type	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$5,778,932,039	93.16%	\$5,541,766,223	93.15%	\$ 5,372,769,946	92.98%
Commercial	359,039,486	5.79	348,162,632	5.85	349,059,609	6.04
Industrial	25,188,055	0.40	20,852,715	0.35	20,766,215	0.36
Personal	40,156,880	0.65	38,615,420	0.65	35,667,540	0.62
Total	\$6,203,316,460	100.00%	\$5,949,396,990	100.00%	\$5,778,263,310	100.00%

## Largest Taxpayers

The following is a list of the largest taxpayers in the Town based upon assessed valuations for fiscal 2016.

Name	Nature of Business	Fiscal 2016 Assessed Valuation	% of Total Assessed Valuation
CBI Owner, LLC.....	Resort Inn	\$86,643,700	1.40%
Eastward Ho! Country Club .....	Country Club	24,268,820	.39
Liberty Commons LTD Liability Corp.	Nursing Home	12,290,900	.20
Eversource.....	Utility	10,304,990	.17
Jones, Robert W. & Debra N. T/E. ....	Residential	10,075,800	.16
97 Tilipi Run Nominee Trust .....	Residential	8,389,300	.14
Colonial Gas Company.....	Utility	7,218,060	.12
595 Main St LLC .....	Retail	7,069,600	.11
LSM Realty Trust .....	Residential	6,951,900	.11
512 W LLC.....	Resort Inn	6,785,900	.11

## State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the Town.

January 1	State Equalized Valuations
2016 (proposed)	\$6,588,014,300
2014.....	6,196,588,000
2012.....	6,302,927,200
2010.....	6,915,743,700
2008.....	6,861,707,900
2006.....	6,134,869,700

## Overlay

The Town is authorized by law to increase each tax levy by an amount approved as reasonable by the Commissioner of Revenue for an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the resultant "overlay deficit" is required to be added to the next tax levy. Any balance in the overlay account, in excess of the amount of the warrant remaining to be collected or abated, is transferred to a reserve fund to be used for extraordinary or unforeseen expenses. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the amount of the overlay reserve for the last five fiscal years and actual abatements granted during the fiscal year against each levy.

Fiscal Year	Net Tax Levy <sup>(1)</sup>	Overlay Reserve		Abatements	Abatements Granted Through June 30, 2016
		Dollar Amount	As a % of Net Levy	Granted During Fiscal Year of Levy	
2016.....	\$30,766,541	\$374,107	1.20%	\$134,703	\$134,703
2015.....	29,310,563	376,928	1.29	156,666	156,987
2014.....	29,017,003	336,575	1.16	120,077	128,420
2013.....	28,684,683	448,518	1.56	81,901	96,560
2012.....	25,876,543	245,374	0.95	130,235	130,235

(1) Tax levy prior to addition of overlay reserve.

### Tax Collections

The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws.) In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for each of the last six fiscal years.

### Tax Levies and Collections

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2016	
				Dollar Amount	% of Levy	Net Dollar Amount	% of Net Levy
2016	\$ 31,140,648	\$ 374,107	\$ 30,766,541	\$ 30,352,554	98.7 %	\$ 30,352,554	98.7 %
2015	29,687,491	376,929	29,310,563	29,012,846	99.0	29,218,002	99.7
2014	29,353,578	336,575	29,017,003	28,823,199	99.3	29,085,747	100.2
2013	29,133,202	448,518	28,684,683	28,304,268	98.7	28,975,169	101.0
2012	26,121,917	245,374	25,876,543	25,414,888	98.2	25,929,655	100.2

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

### Tax Titles and Possessions

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes thereon. In either case, the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within

six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the land court.

Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus.

<u>Fiscal Year</u>	<u>Total Tax Titles &amp; Possessions</u>
2016.....	\$515,141
2015.....	568,198
2014.....	640,794
2013.....	736,925
2012.....	717,886

### **Taxation to Meet Deficits**

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., generally those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue). Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. (The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for emergencies, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, certain established salaries, e.g., civil service, must legally be paid for work actually performed, whether or not covered by appropriations.)

The Town has not experienced any revenue deficits or overlay deficits in any of the last five fiscal years. To the extent there have been any unprovided for overdrawn accounts, such deficiencies have been provided for, in accordance with Massachusetts law, in the following tax levy.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, subject to any overall limits on tax levies, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that free cash deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence. See "TOWN FINANCES - Free Cash."

### **Property Tax Limitation**

Chapter 59, Section 21C of the General Laws, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed  $2\frac{1}{2}$  percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than  $7\frac{1}{2}$  percent by majority vote of the voters, or to less than  $7\frac{1}{2}$  percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than  $2\frac{1}{2}$  percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of

funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2<sup>1</sup>/<sub>2</sub> limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2<sup>1</sup>/<sub>2</sub> limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, the statute limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2<sup>1</sup>/<sub>2</sub> percent of the prior year's assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2<sup>1</sup>/<sub>2</sub> any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

As presented hereafter, the Town has been in full compliance with Proposition 2 1/2 since its inception. The following table sets forth the Town's tax levies and levy limits under Proposition 2 1/2 for the past five fiscal years.

<u>Fiscal Year</u>	<u>Gross Tax Levy</u>	<u>Maximum Levy Limit</u>	<u>Primary Levy Limit</u> <sup>(1)</sup>	<u>Under Unused Maximum Levy Limit</u>	<u>Under Unused Primary Levy Limit</u>
2016 .....	\$31,140,649	\$33,126,545	\$155,082,912	\$1,985,986	\$123,942,263
2015 .....	29,687,491	30,815,892	148,734,925	1,128,401	119,047,434
2014 .....	29,353,578	30,301,544	144,456,583	947,966	115,103,005
2013 .....	29,133,202	30,219,895	144,797,226	1,086,693	115,664,024
2012 .....	26,121,917	26,555,537	146,752,345	433,620	120,630,428

(1) 2 1/2% of total assessed valuation.

### **Pledged Taxes**

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see “TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS” below).



## Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

## Cape Cod Land Bank

An excise tax of 3% of the real estate tax levy against real property in the Town is levied by the Town under the Cape Cod Open Space Land Acquisition Program authorized by Chapter 293 of the Acts of 1998, as amended (the "Land Bank Act"). This levy is not counted in the total taxes assessed for the purposes of determining the permitted levy amount under Proposition 2 1/2 (See "Property Tax Limitation" above). The proceeds of the excise tax, together with any state matching funds are deposited in the Land Bank Fund held by the Town and may be appropriated, upon the recommendation of the designated open space committee, for the purposes of acquiring land and interest in land for the protection of public drinking water supplies, open space and conservation land and the creation of walking trails, bicycling trails and recreational areas. The Land Bank Act also authorizes the issuance of bonds and notes for these purposes and the payment of debt service on such bonds and notes from amounts on deposit in the Land Bank Fund. Under the terms of the Land Bank Act, the excise tax expires on January 1, 2020.

### Land Bank Fund

<u>June 30</u>	<u>Fund Balance</u>
2016 .....	\$1,510,444
2015 .....	1,130,665
2014 .....	1,145,154
2013 .....	1,158,489
2012 .....	1,219,829
2011 .....	1,319,233

## Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAX” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

### Community Preservation Fund

<u>June 30</u>	<u>Fund Balance</u>
2015.....	2,368,108
2014.....	2,247,997
2013.....	1,775,126
2012.....	1,311,093
2011.....	811,758

## TOWN FINANCES

### Budget and Appropriation Process

**Town Meeting:** The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at town meetings.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See "STATE AID" below.)

**Water Budget:** The budget for the Town Water Department is voted on as a separate item at each Annual Town Meeting. Any operating surplus generated by the Water Department accrues to a reserve fund for the next year's operations. The Water Department rates are set by an elected Board of Water commissioners.

**Mandatory Items:** Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments, are included in the tax levy whether or not included in the appropriations voted at town meeting.

**Revenues:** Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "THE BONDS-Source of Payment and Remedies" and "PROPERTY TAXATION--Tax Levy Computation.")

## Operating Budget Trends

The following table sets forth the Town's budgets for fiscal years 2013 through 2017. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items. See "Budget and Appropriation Process" above. Similarly, the budgets summarized below exclude expenditures for "non-operating" or extraordinary items authorized under "special" warrant articles but includes transfers from available funds.

<b>Annual Operating Budgets <sup>(1)</sup></b>					
	2013 <sup>(3)</sup>	2014 <sup>(3)</sup>	2015 <sup>(3)</sup>	2016 <sup>(4)</sup>	2017 <sup>(5)</sup>
General Government.....	\$1,898,390	\$1,926,680	\$1,875,954	\$2,050,736	\$1,993,4756
Public Safety .....	5,544,029	5,754,115	5,959,858	5,540,427	5,831,539
Community Development .....	661,747	715,365	648,719	755,676	769,491
Health & Environment .....	805,927	835,157	1,257,700	1,314,231	1,358,925
Public Works & Facilities .....	4,252,406	4,349,927	4,143,926	4,576,678	4,709,493
Community & Social Services .....	921,677	977,180	966,163	1,054,930	1,148,097
Education .....	8,434,323	8,000,516	8,107,093	8,517,054	8,870,661
Employee Benefits .....	4,219,258	3,952,910	4,177,371	4,423,164	4,740,390
Undistributed Ins. & Reserve Fund.....	342,353	501,135	449,519	609,375	609,375
Debt Service <sup>(2)</sup>	7,418,609	7,905,583	7,150,584	7,860,558	7,834,625
	<b>\$34,498,719</b>	<b>\$34,918,568</b>	<b>\$34,736,859</b>	<b>\$36,335,983</b>	<b>\$37,866,072</b>

(1) See "Water Rates and Service" below.

(2) Does not include water debt.

(3) Actual

(4) Budget

(5) Voted

## Revenues

**Property Taxes:** Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "PROPERTY TAXATION-Property Tax Limitation." Property tax receipts totaled \$29,275,785 in fiscal 2015.

**State Aid:** Cities and towns in Massachusetts receive money from the Commonwealth of Massachusetts for various purposes. The Town's state aid entitlement is based upon a number of different formulae, and while said formulae might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the State Legislature. The state annually estimates state aid, but actual payments may vary from the estimate.

The following is the net state aid for the last five fiscal years.

<u>Fiscal Year</u>	<u>Receipts</u>	<u>Assessments</u>	<u>Net Receipts</u>
2016 .....	\$1,093,984	\$694,402	\$399,492
2015 .....	1,138,862	669,675	469,170
2014 .....	1,163,012	658,638	504,374
2013 .....	1,071,832	620,223	451,609
2012 .....	1,870,407	1,222,810	647,597

**Motor Vehicle and Boat Excises:** An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made for suspension of registration by the registrar of motor vehicles, who may also, after a hearing, suspend the owner's operating license. Boat excise tax rates are \$10 per \$1,000 valuation on boats of more than 16 feet in length. In fiscal 2016, the Town collected \$1,213,339 in motor vehicle receipts. Boat excise receipts in fiscal 2016 were \$33,843.

**Water Rates and Services:** The Town's Water Department charges are based on two metered summer and two metered winter consumption periods, encompassing three (3) months each period. There is a minimum charge of \$26.25 for 1,000 cubic feet (winter) with step increments of \$2.75 per additional 100 cubic feet up to 3,000 cubic feet, \$2.95 per 100 cubic feet up to 5,000 cubic feet, and \$3.15 for every additional 100 cubic feet over 5,000 cubic feet. The summer rates begin with a minimum of \$41.25 for the first 1,000 cubic feet with increments of \$4.40, \$4.65, and \$4.90. In addition, the Department charges for meter installation, new connections, and seasonal turning on and off of services. The Water Department presently operates eight (8) wells, one of which is only used as an emergency supply. The system has the capability of pumping 4,600 gallons per minute when all wells are in operation. The Department serves approximately 80% of the Town with 105 miles of water mains. Financing for the Water Department operations is through Chapter 44, Section 53E, of the Massachusetts General Laws (operating cost appropriations offset by estimated receipts and fees). The Fiscal 2016 water budget, which includes payment of the principal and interest on the bonded debt, was approved for the amount of \$2,726,576. For fiscal 2017, the Town is projecting a total water budget of \$2,737,808.

**Sewer Rates and Services:** The Town's Sewer Department charges are based on the metered water consumption. The minimum winter charge is \$33.75 for the first 1,000 cubic feet with step increments of \$4.15 per additional 100 cubic feet up to 3,000 cubic feet, \$4.50 per 100 cubic feet up to 5,000 cubic feet, and \$4.75 for every 100 cubic feet over 5,000 cubic feet. The summer rates begin with a minimum of \$67.50 for the first 1,000 cubic feet with increments of \$6.70, \$7.15, and \$7.35. The Septage Rate is .09 per gallon for sewage and .14 per gallon for grease. Revenues are credited to and expenditures made from the Town's General Fund. The Sewer Department's Fiscal 2016 budget of \$939,323, which includes the principal and interest on the sewer debt was approved in the Public Works and Facilities of the operating budget for fiscal 2016. For fiscal 2017, the town projects a total sewer budget of \$963,143.

**Room Occupancy Tax:** In 1985 the State legislature made available a room occupancy excise tax as an additional source of revenue for municipalities (G.L. Chapter 64G, s. 3A), effective July 1, 1986. Under this tax, as amended local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed four percent of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town voted to levy the full 4% allowed commencing July 1, 1988. In fiscal 2016, the Town collected \$1,363,774.

**Meals Tax:** The Town voted to impose an excise of 0.75% on the sales of restaurant meals originating within the town. This tax became official on July 1, 2011. The Town collected \$412,661 in fiscal 2016.

## **Audits**

The Town's accounts were most recently audited for the fiscal year ended June 30, 2015, by Lynch, Malloy, Marini, LLP of Brewster, Massachusetts, copies of which are available upon request from FirstSouthwest, a Division of Hilltop Securities Inc.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. In addition, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

## **Financial Statements**

Set forth on the following pages are extracts from audited financial statements of the Town for the applicable years; Balance Sheet - Government Funds for fiscal years 2015 to 2011; and Statement of Revenues, Expenditures, and Changes in Fund Balance – Government Funds for fiscal years 2015 to 2011.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2015 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,450,433	\$ -	\$ -	\$ 9,656,857	\$ 20,107,290
Investments	2,268,065	-	-	3,793,661	6,061,726
Interfund receivables	-	-	-	1,515,471	1,515,471
Receivables, net	4,718,276	-	2,108,650	29,830	6,856,756
Other receivables	-	23,381,937	-	-	23,381,937
<b>TOTAL ASSETS</b>	<b>\$ 17,436,774</b>	<b>\$ 23,381,937</b>	<b>\$ 2,108,650</b>	<b>\$ 14,995,819</b>	<b>\$ 57,923,180</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 808,171	\$ -	\$ -	\$ 462,491	\$ 1,270,662
Interfund payables	-	1,515,471	-	-	1,515,471
Notes Payable	-	26,785,925	-	-	26,785,925
Provision for refund of paid taxes	571,328	-	-	-	571,328
Other Liabilities	215,700	-	-	-	215,700
<b>TOTAL LIABILITIES</b>	<b>1,595,199</b>	<b>28,301,396</b>	<b>-</b>	<b>462,491</b>	<b>30,359,086</b>
Deferred Inflows of Resources	4,544,319	-	2,108,650	29,832	6,682,801
Fund Balances:					
Nonspendable	-	-	-	772,049	772,049
Restricted	1,430,498	-	-	12,329,865	13,760,363
Committed	3,175,830	-	-	1,593,364	4,769,194
Assigned	988,285	-	-	-	988,285
Unassigned	5,702,643	(4,919,459)	-	(191,782)	591,402
<b>TOTAL FUND BALANCES</b>	<b>11,297,256</b>	<b>(4,919,459)</b>	<b>-</b>	<b>14,503,496</b>	<b>20,881,293</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,436,774</b>	<b>\$ 23,381,937</b>	<b>\$ 2,108,650</b>	<b>\$ 14,995,819</b>	<b>\$ 57,923,180</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2014 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,453,467	\$ (3,374,383)	\$ -	\$ 4,170,665	\$ 10,249,749
Investments	1,956,017	-	-	3,767,094	5,723,111
Receivables, net	5,347,883	-	1,600,927	23,193	6,972,003
Other receivables	-	28,764,667	-	-	28,764,667
<b>TOTAL ASSETS</b>	<b>\$ 16,757,367</b>	<b>\$ 25,390,284</b>	<b>\$ 1,600,927</b>	<b>\$ 7,960,952</b>	<b>\$ 51,709,530</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 609,464	\$ -	\$ -	\$ 175,970	\$ 785,434
Notes Payable	-	30,858,778	-	1,845,000	32,703,778
Provision for refund of paid taxes	529,469	-	-	-	529,469
Other Liabilities	193,505	-	-	-	193,505
<b>TOTAL LIABILITIES</b>	<b>1,332,438</b>	<b>30,858,778</b>	<b>-</b>	<b>2,020,970</b>	<b>34,212,186</b>
Deferred Inflows of Resources	5,185,751	-	1,600,927	23,194	6,809,872
Fund Balances:					
Nonspendable	-	-	-	732,705	732,705
Restricted	1,017,688	-	-	3,858,802	4,876,490
Committed	2,910,017	-	-	1,825,426	4,735,443
Assigned	1,114,140	-	-	-	1,114,140
Unassigned	5,197,333	(5,468,494)	-	(500,145)	(771,306)
<b>TOTAL FUND BALANCES</b>	<b>10,239,178</b>	<b>(5,468,494)</b>	<b>-</b>	<b>5,916,788</b>	<b>10,687,472</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 16,757,367</b>	<b>\$ 25,390,284</b>	<b>\$ 1,600,927</b>	<b>\$ 7,960,952</b>	<b>\$ 51,709,530</b>

(1) Extracted from the Town's audited financial statements.



**TOWN OF CHATHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2013 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,702,787	\$ 510,745	\$ (120,391)	\$ 2,281,847	\$ 10,374,988
Investments	1,903,292	-	-	3,660,522	5,563,814
Receivables, net	6,295,916	65,900	1,636,783	295,526	8,294,125
<b>TOTAL ASSETS</b>	<b>\$ 15,901,995</b>	<b>\$ 576,645</b>	<b>\$ 1,516,392</b>	<b>\$ 6,237,895</b>	<b>\$ 24,232,927</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 615,881	\$ -	\$ -	\$ 122,804	\$ 738,685
Amounts withheld from employees	81,973	-	-	-	81,973
Notes Payable	-	1,885,011	-	20,000	1,905,011
Provision for refund of paid taxes	674,086	-	-	-	674,086
Agency and other payables	96,239	-	-	-	96,239
<b>TOTAL LIABILITIES</b>	<b>1,468,179</b>	<b>1,885,011</b>	<b>-</b>	<b>142,804</b>	<b>3,495,994</b>
Deferred Inflows of Resources	6,063,858	-	1,516,392	295,526	7,875,776
Fund Balances:					
Nonspendable	-	-	-	732,705	732,705
Restricted	1,178,176	-	-	3,277,276	4,455,452
Committed	1,920,835	-	-	1,808,293	3,729,128
Assigned	771,123	-	-	-	771,123
Unassigned	4,499,824	(1,308,366)	-	(18,709)	3,172,749
<b>TOTAL FUND BALANCES</b>	<b>8,369,958</b>	<b>(1,308,366)</b>	<b>-</b>	<b>5,799,565</b>	<b>12,861,157</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,901,995</b>	<b>\$ 576,645</b>	<b>\$ 1,516,392</b>	<b>\$ 6,237,895</b>	<b>\$ 24,232,927</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,765,483	\$ (2,464,965)	\$ 33,835	\$ 3,035,420	\$ 7,369,773
Investments	1,847,008	-	-	3,006,082	4,853,090
Receivables, net	6,867,218	2,431,585	-	249,013	9,547,816
<b>TOTAL ASSETS</b>	<b>\$ 15,479,709</b>	<b>\$ (33,380)</b>	<b>\$ 33,835</b>	<b>\$ 6,290,515</b>	<b>\$ 21,770,679</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,047,196	\$ -	\$ -	\$ 653,864	\$ 1,701,060
Accounts withheld from employees	105,057	-	-	-	105,057
Notes Payable	-	3,691,276	-	-	3,691,276
Provision for refund of paid taxes	331,435	-	-	-	331,435
Deferred revenue	6,687,667	-	-	249,013	6,936,680
Agency and other payables	96,239	-	-	-	96,239
<b>TOTAL LIABILITIES</b>	<b>8,267,594</b>	<b>3,691,276</b>	<b>-</b>	<b>902,877</b>	<b>12,861,747</b>
Fund Balances:					
Nonspendable	-	-	-	660,991	660,991
Restricted	1,280,992	-	33,835	2,983,723	4,298,550
Committed	1,754,380	-	-	1,749,154	3,503,534
Assigned	108,152	-	-	-	108,152
Unassigned	4,068,591	(3,724,656)	-	(6,230)	337,705
<b>TOTAL FUND BALANCES</b>	<b>7,212,115</b>	<b>(3,724,656)</b>	<b>33,835</b>	<b>5,387,638</b>	<b>8,908,932</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,479,709</b>	<b>\$ (33,380)</b>	<b>\$ 33,835</b>	<b>\$ 6,290,515</b>	<b>\$ 21,770,679</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2011 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,308,567	\$ (688,223)	\$ (1,211,463)	\$ 2,655,274	\$ 6,064,155
Investments	1,957,394	-	-	3,374,429	5,331,823
Receivables, net	7,540,068	2,220,650	-	232,172	9,992,890
<b>TOTAL ASSETS</b>	<b>\$ 14,806,029</b>	<b>\$ 1,532,427</b>	<b>\$ (1,211,463)</b>	<b>\$ 6,261,875</b>	<b>\$ 21,388,868</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 690,782	\$ 1,359,887	\$ -	\$ 570,725	\$ 2,621,394
Amounts withheld from employees	93,172	-	-	-	93,172
Notes Payable	-	35,953,963	15,000,000	1,500,000	52,453,963
Provision for refund of paid taxes	269,372	-	-	-	269,372
Deferred revenue	7,392,491	-	-	232,172	7,624,663
Agency and other payables	108,505	-	-	-	108,505
<b>TOTAL LIABILITIES</b>	<b>8,554,322</b>	<b>37,313,850</b>	<b>15,000,000</b>	<b>2,302,897</b>	<b>63,171,069</b>
Fund Balances:					
Nonspendable	-	-	-	641,391	641,391
Restricted	666,607	-	-	3,144,468	3,811,075
Committed	2,019,249	-	-	1,772,748	3,791,997
Assigned	1,041,107	-	-	-	1,041,107
Unassigned	2,524,744	(35,781,423)	(16,211,463)	(1,599,629)	(51,067,771)
<b>TOTAL FUND BALANCES</b>	<b>6,251,707</b>	<b>(35,781,423)</b>	<b>(16,211,463)</b>	<b>3,958,978</b>	<b>(41,782,201)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,806,029</b>	<b>\$ 1,532,427</b>	<b>\$ (1,211,463)</b>	<b>\$ 6,261,875</b>	<b>\$ 21,388,868</b>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2015 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 29,399,813	\$ -	\$ -	\$ 1,648,762	\$ 31,048,575
Interfund receivables	2,855,815	-	-	-	2,855,815
Licenses and Permits	1,104,524	-	-	332,919	1,437,443
Penalties and interest	178,476	-	-	3,128	181,604
Investment income	44,349	-	-	27,814	72,163
Charges for services	2,443,067	-	-	141,081	2,584,148
Special assessments	106,538	-	-	-	106,538
Fees and fines	59,324	-	-	44,700	104,024
Contributions	-	-	-	243,383	243,383
Departmental and other	1,172,571	-	-	153,420	1,325,991
Intergovernmental	1,144,004	-	-	1,423,971	2,567,975
Total Revenues	<u>\$ 38,508,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,019,178</u>	<u>\$ 42,527,659</u>
<b>Expenditures:</b>					
Current:					
General government	2,805,314	-	-	907,201	3,712,515
Public safety	6,478,676	-	-	1,971,662	8,450,338
Education	8,107,093	-	-	56,250	8,163,343
Public works	5,288,280	3,523,818	-	1,498,825	10,310,923
Community development	654,996	-	-	-	654,996
Human services	611,939	-	-	47,341	659,280
Culture and recreation	967,510	-	-	72,617	1,040,127
Coastal resources	964,504	-	-	265,172	1,229,676
Employee benefits	3,905,144	-	-	-	3,905,144
State and county assessments	669,675	-	-	-	669,675
Debt Service					
Principal, interest, and other charges	6,965,374	-	-	-	6,965,374
Total Expenditures	<u>37,418,505</u>	<u>3,523,818</u>	<u>-</u>	<u>4,819,068</u>	<u>45,761,391</u>
Revenues over (under) expenditures	\$ 1,089,976	\$ (3,523,818)	\$ -	\$ (799,890)	\$ (3,233,732)
Other Financing Sources (Uses):					
Issuance of long term debt	-	4,072,853	-	10,095,000	14,167,853
Transfer in from other funds	1,443,670	-	-	1,035,268	2,478,938
Transfer out to other funds	(1,475,568)	-	-	(1,743,670)	(3,219,238)
Total other financing sources and (uses)	<u>(31,898)</u>	<u>4,072,853</u>	<u>-</u>	<u>9,386,598</u>	<u>13,427,553</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,058,078	\$ 549,035	\$ -	\$ 8,586,708	\$ 10,193,821
Fund balances, beginning of year, restated	10,239,178	(5,468,494)	-	5,916,788	10,687,472
Fund balances, end of year	<u>\$ 11,297,256</u>	<u>\$ (4,919,459)</u>	<u>\$ -</u>	<u>\$ 14,503,496</u>	<u>\$ 20,881,293</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 29,600,911	\$ -	\$ -	\$ 1,638,294	\$ 31,239,205
Excise taxes	2,709,170	-	-	-	2,709,170
Licenses and Permits	976,797	-	-	303,391	1,280,188
Penalties and interest	261,053	-	-	3,343	264,396
Investment income	81,107	-	-	109,178	190,285
Charges for services	2,109,833	-	-	108,813	2,218,646
Special assessments	492,559	-	-	-	492,559
Fees and fines	59,567	-	-	5,000	64,567
Contributions	-	-	-	132,997	132,997
Departmental and other	494,617	-	-	87,168	581,785
Intergovernmental	3,475,677	-	-	767,227	4,242,904
Total Revenues	<u>\$ 40,261,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,155,411</u>	<u>\$ 43,416,702</u>
<b>Expenditures:</b>					
Current:					
General government	3,259,719	-	-	808,371	4,068,090
Public safety	5,709,384	-	-	16,267	5,725,651
Education	8,000,516	-	-	65,601	8,066,117
Public works	5,038,912	4,160,128	-	684,486	9,883,526
Community development	604,580	-	-	-	604,580
Human services	528,229	-	-	30,506	558,735
Culture and recreation	935,876	-	-	58,804	994,680
Coastal resources	864,958	-	-	170,933	1,035,891
Employee benefits	6,153,969	-	-	-	6,153,969
State and county assessments	626,980	-	-	-	626,980
Debt Service					
Principal, interest, and other charges	7,281,868	-	-	-	7,281,868
Total Expenditures	<u>39,004,991</u>	<u>4,160,128</u>	<u>-</u>	<u>1,834,968</u>	<u>45,000,087</u>
Revenues over (under) expenditures	\$ 1,256,300	\$ (4,160,128)	\$ -	\$ 1,320,443	\$ (1,583,385)
Other Financing Sources (Uses):					
Issuance of long term debt	-	-	-	-	-
Transfer in from other funds	1,235,994	-	-	32,774	1,268,768
Transfer out to other funds	(623,074)	-	-	(1,235,994)	(1,859,068)
Total other financing sources and (uses)	<u>612,920</u>	<u>-</u>	<u>-</u>	<u>(1,203,220)</u>	<u>(590,300)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,869,220	\$ (4,160,128)	\$ -	\$ 117,223	\$ (2,173,685)

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2013 (1)**

	General Fund	Wastewater Facility	State Highway Chapter 90	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 28,628,075	\$ -	\$ -	\$ 1,607,714	\$ 30,235,789
Excise taxes	2,523,233	-	-	-	2,523,233
Licenses and Permits	1,000,206	-	-	328,700	1,328,906
Penalties and interest	228,494	-	-	3,184	231,678
Investment income	31,402	-	-	52,133	83,535
Charges for services	2,076,334	-	-	108,884	2,185,218
Special assessments	383,735	-	-	-	383,735
Fees and fines	53,369	-	-	-	53,369
Contributions	-	-	-	123,500	123,500
Departmental and other	472,363	-	-	80,843	553,206
Intergovernmental	3,419,706	3,759,848	120,391	584,888	7,884,833
Total Revenues	<u>\$ 38,816,917</u>	<u>\$ 3,759,848</u>	<u>\$ 120,391</u>	<u>\$ 2,889,846</u>	<u>\$ 45,587,002</u>
<b>Expenditures:</b>					
Current:					
General government	2,576,905	-	-	560,460	3,137,365
Public safety	5,281,758	-	-	74,986	5,356,744
Education	8,445,669	-	-	14,441	8,460,110
Public works	4,757,913	3,599,823	120,391	237,854	8,715,981
Community development	677,043	-	-	-	677,043
Human services	598,042	-	-	29,775	627,817
Culture and recreation	922,990	-	-	68,376	991,366
Coastal resources	842,087	-	-	308,421	1,150,508
Employee benefits	6,197,366	-	-	-	6,197,366
State and county assessments	620,223	-	-	-	620,223
Debt Service					
Principal	4,866,009	-	-	-	4,866,009
Interest and other charges	2,363,664	-	-	-	2,363,664
Total Expenditures	<u>38,149,669</u>	<u>3,599,823</u>	<u>120,391</u>	<u>1,294,313</u>	<u>43,164,196</u>
Revenues over (under) expenditures	\$ 667,248	\$ 160,025	\$ -	\$ 1,595,533	\$ 2,422,806
Other Financing Sources (Uses):					
Issuance of long term debt	-	2,256,265	-	-	2,256,265
Transfer in from other funds	1,168,544	-	-	32,774	1,201,318
Transfer out to other funds	(677,949)	-	-	(1,118,544)	(1,796,493)
Total other financing sources and (uses)	<u>490,595</u>	<u>2,256,265</u>	<u>-</u>	<u>(1,085,770)</u>	<u>1,661,090</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,157,843	\$ 2,416,290	\$ -	\$ 378,092	\$ 3,952,225
Fund balances, beginning of year, restated	7,212,115	(3,724,656)	-	5,421,473	8,908,932
Fund balances, end of year	<u>\$ 8,369,958</u>	<u>\$ (1,308,366)</u>	<u>\$ -</u>	<u>\$ 5,799,565</u>	<u>\$ 12,861,157</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012 (1)**

	General Fund	Wastewater Facility	Police Annex	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 25,802,184	\$ -	\$ -	\$ 1,446,618	\$ 27,248,802
Excise taxes	2,365,762	-	-	-	2,365,762
Licenses and Permits	885,001	-	-	300,479	1,185,480
Penalties and interest	189,998	-	-	2,332	192,330
Investment income	51,151	-	-	60,950	112,101
Charges for services	2,262,736	-	-	260,928	2,523,664
Special assessments	140,005	-	-	-	140,005
Fees and fines	61,104	-	-	-	61,104
Contributions	-	-	-	259,260	259,260
Departmental and other	502,582	-	-	93,650	596,232
Intergovernmental	4,076,771	13,102,725	-	2,370,497	19,549,993
Total Revenues	<u>\$ 36,337,294</u>	<u>\$ 13,102,725</u>	<u>\$ -</u>	<u>\$ 4,794,714</u>	<u>\$ 54,234,733</u>
<b>Expenditures:</b>					
Current:					
General government	2,345,246	-	-	765,016	3,110,262
Public safety	5,069,861	-	570,753	64,455	5,705,069
Education	9,923,472	-	-	2,903,733	12,827,205
Public works	4,257,922	15,335,745	-	210,285	19,803,952
Community development	655,879	-	-	-	655,879
Human services	560,157	-	-	27,669	587,826
Culture and recreation	905,842	-	-	78,107	983,949
Coastal resources	829,307	-	-	152,044	981,351
Employee benefits	5,647,786	-	-	-	5,647,786
State and county assessments	1,222,810	-	-	-	1,222,810
Debt Service					
Principal	3,060,404	-	-	-	3,060,404
Interest and other charges	1,932,935	-	-	-	1,932,935
Total Expenditures	<u>36,411,621</u>	<u>15,335,745</u>	<u>570,753</u>	<u>4,201,309</u>	<u>56,519,428</u>
Revenues over (under) expenditures	\$ (74,327)	\$ (2,233,020)	\$ (570,753)	\$ 593,405	\$ (2,284,695)
Other Financing Sources (Uses):					
Issuance of long term debt	-	34,100,500	16,399,383	1,793,750	52,293,633
Proceeds of bond premium	1,282,245	-	-	-	1,282,245
Transfer in from other funds	1,072,519	189,287	416,668	114,024	1,792,498
Transfer out to other funds	(1,320,029)	-	-	(1,072,519)	(2,392,548)
Total other financing sources and (uses)	<u>1,034,735</u>	<u>34,289,787</u>	<u>16,816,051</u>	<u>835,255</u>	<u>52,975,828</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 960,408	\$ 32,056,767	\$ 16,245,298	\$ 1,428,660	\$ 50,691,133
Fund balances, beginning of year, restated	6,251,707	(35,781,423)	(16,211,463)	3,958,978	(41,782,201)
Fund balances, end of year	<u>\$ 7,212,115</u>	<u>\$ (3,724,656)</u>	<u>\$ 33,835</u>	<u>\$ 5,387,638</u>	<u>\$ 8,908,932</u>

(1) Extracted from the Town's audited financial statements.

**TOWN OF CHATHAM, MA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011 (1)**

	General Fund	Wastewater Facility	Police Annex	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property Taxes	\$ 24,736,694	\$ -	\$ -	\$ 1,388,193	\$ 26,124,887
Excise taxes	2,137,459	-	-	-	2,137,459
Licenses and Permits	783,904	-	-	281,962	1,065,866
Penalties and interest	125,914	-	-	2,240	128,154
Investment income	107,148	-	-	54,695	161,843
Charges for services	2,210,200	-	-	252,848	2,463,048
Special assessments	180,499	-	-	-	180,499
Fees and fines	55,912	-	-	-	55,912
Contributions	-	-	-	275,983	275,983
Departmental and other	760,167	-	-	81,364	841,531
Intergovernmental	3,936,293	-	-	3,437,226	7,373,519
Total Revenues	<u>\$ 35,034,190</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,774,511</u>	<u>\$ 40,808,701</u>
<b>Expenditures:</b>					
Current:					
General government	2,641,739	-	-	3,154,466	5,796,205
Public safety	4,984,251	-	11,258,429	52,974	16,295,654
Education	9,977,972	-	-	1,894,916	11,872,888
Public works	4,260,456	29,268,697	-	451,235	33,980,388
Community development	757,968	-	-	-	757,968
Human services	675,706	-	-	41,037	716,743
Culture and recreation	933,687	-	-	77,119	1,010,806
Coastal resources	894,940	-	-	530,725	1,425,665
Employee benefits	5,334,580	-	-	-	5,334,580
State and county assessments	991,296	-	-	-	991,296
Debt Service					
Principal	3,343,307	-	-	-	3,343,307
Interest and other charges	1,677,211	-	-	-	1,677,211
Total Expenditures	<u>36,473,113</u>	<u>29,268,697</u>	<u>11,258,429</u>	<u>6,202,472</u>	<u>83,202,711</u>
Revenues over (under) expenditures	\$ (1,438,923)	\$ (29,268,697)	\$ (11,258,429)	\$ (427,961)	\$ (42,394,010)
Other Financing Sources (Uses):					
Issuance of long term debt	-	3,289,537	-	-	3,289,537
Transfer in from other funds	1,644,335	-	-	32,774	1,677,109
Transfer out to other funds	(768,139)	-	-	(1,514,458)	(2,282,597)
Total other financing sources and (uses)	<u>876,196</u>	<u>3,289,537</u>	<u>-</u>	<u>(1,481,684)</u>	<u>2,684,049</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (562,727)	\$ (25,979,160)	\$ (11,258,429)	\$ (1,909,645)	\$ (39,709,961)
Fund balances, beginning of year, restated	6,814,434	(9,802,263)	(4,953,034)	5,868,623	(2,072,240)
Fund balances, end of year	<u>\$ 6,251,707</u>	<u>\$ (35,781,423)</u>	<u>\$ (16,211,463)</u>	<u>\$ 3,958,978</u>	<u>\$ (41,782,201)</u>

(1) Extracted from the Town's audited financial statements.



## Unassigned General Fund Balance and Free Cash

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following shows the Unassigned General Fund Balance and free cash for the following fiscal years:

	Unassigned General Fund Balance ( <u>June 30</u> )	Free Cash ( <u>July 1</u> )
2016 (est.) .....	N.A.	\$2,441,900
2015.....	\$5,702,643	3,398,198
2014.....	5,197,333	2,696,692
2013.....	4,499,824	2,211,995
2012.....	4,068,591	1,218,029
2011.....	2,524,744	582,327

## Stabilization Fund

The Town established a stabilization fund in fiscal 1983. The stabilization fund is accounted for in the Trust Funds. Funded by an annual appropriation, the Stabilization Fund, plus interest income, may be appropriated at an annual or special town meeting for any municipal purpose. The following table lists the Stabilization Fund Balances as of the end of each of the last six fiscal years.

	<u>June 30</u>	Stabilization Fund Balance
2016 .....		\$1,820,827
2015 .....		1,797,110
2014 .....		1,765,909
2013 .....		1,742,960
2012 .....		1,676,999

## **Tax Increment Financing for Development Districts**

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2<sup>1/2</sup> (see "*Property Tax Limitation*" under "PROPERTY TAXATION" above). The Town does not have any development districts.

## **State School Building Assistance Program**

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## INDEBTEDNESS

### Authorization Procedure and Limitations

Serial bonds and notes are authorized by vote of two-thirds of all the members of the city council (subject to the mayor's veto where the mayor has a veto power) or a two-thirds vote of the town meeting. Provision is made in some cities and towns for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the city council or the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen, mayor or city manager as the case may be.

The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

As of June 30, 2016, the Town had a total outstanding and authorized unissued debt of \$96,923,718 of which \$15,129,864 was outside, and \$81,793,854 was subject to its general debt limit. The additional debt which could be authorized within the normal 5 per cent limit was \$228,035,546. The additional debt (including the foregoing amount) which could be authorized within the double debt limit was \$537,864,946.

### Types of Obligations

General Obligations: Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes: These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board.

Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes: Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes: These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes: These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

**Authorized Unissued Debt and Temporary Loans Outstanding  
June 30, 2016**

<b>CHAPTER 44</b>	<b><u>PURPOSE</u></b>	<b><u>AUTHORIZED UNISSUED</u></b>	<b><u>TEMPORARY LOANS O/S</u></b>	<b><u>EXEMPTED</u></b>
<b>Bond Authorizations:</b>				
7(1)	Community Septic Betterment	150,000	0	No
7(22)	Planning – Roads	150,000	0	No
7(3A)	Community Center	15,000	0	Yes
8 (4)(5)	Well & Pump Station	560,000	0	No
7(5)	Roads	200,000	0	Yes
7(1)	Wastewater Treatment	500,000	500,000	Yes
7(5)	Road Betterments	25,000	0	No
8(5)	Water Mains	720,000	0	No
8(5) or Chapter 29C	Water Wells	650,000	0	No
7(1)	Wastewater Treatment	761,233	0	Yes
7(3)	Fire Station	566,635	0	Yes
7(1) 8(15) or Chapter	Sewer	3,040,000	0	Yes
8(4)	Water Treatment Facility	5,533,000	0	No
	<b>GRAND TOTAL</b>	<b>\$12,870,868</b>	<b>\$500,000</b>	

The Town of Chatham has \$12,870,868 in authorized unissued debt consisting of \$150,000 for septic betterments; \$350,000 for roads; \$7,463,000 for water projects; \$15,000 for the community center; \$25,000 for road betterments; \$4,301,233 for a wastewater treatment facility and \$566,635 for a new fire station. Of the \$12,870,868 authorized unissued debt described above, \$44,081,635 is exempt from Proposition 2<sup>1/2</sup>; \$25,000 will be paid from betterments; \$7,463,000 will be paid from water receipts; \$150,000 from the Septic Betterment Program and \$150,000 will go on the tax rate.

## TOWN OF CHATHAM

### Direct Debt Summary June 30, 2016

#### General Obligation Bonds:

##### Outstanding:

GO Municipal Purpose Loan of 2001 Bonds.....	\$ 395,000	
General Obligation Refunding Bonds 2004 .....	345,000	
General Obligation Bonds 2005.....	3,290,000	
GO Municipal Purpose Loan of 2008 Bonds.....	8,035,000	
General Obligation Refunding Bonds 2009 .....	2,805,000	
GO Municipal Purpose Loan of 2012 Bonds.....	18,565,000	
GO Municipal Purpose Loan of 2015 Bonds.....	11,275,000	
Massachusetts Clean Water Trust.....	18,105,571	
United States Department of Agriculture .....	21,237,280	
Total Outstanding		<u>\$84,052,851</u>

#### Temporary Loans:

Bond Anticipation Notes: .....	<u>500,000</u>	
Total Outstanding		<u>\$500,000</u>

Total Direct Debt: ..... \$84,552,851<sup>(1)(2)(3)</sup>

(1) \$79,425,986 is subject to the Town's debt limit.

(2) \$5,790,000 is subject to a special debt limit of 10% of the Town's equalized valuation.

(3) \$66,346,787 is exempt from Proposition 2<sup>1/2</sup>.

## Projected Principal Payments by Purpose

The following table sets forth as of June 30, 2016 the principal payments by purpose on outstanding general obligation bonds of the Town of Chatham. As indicated in the table, of the total \$87,010,677 Bonds outstanding, \$26,972,520 or 32.9% of the total outstanding are to be paid by the end of fiscal 2021 and \$46,200,479 or 54.9% of the total outstanding are to be paid by the end of fiscal 2026.

### Principal Payments by Purpose As of June 30, 2016

Fiscal Year	GOMP Loan of 2001	GO Refunding Bonds 2004	GO Bonds 2005	GOMP Loan of 2008	GO Refunding Bonds 2009	GOMP Loan of 2012	MCWT	USDA	GOMP Loan of 2015	Total Outstanding
2017	\$145,000	\$345,000	\$480,000	\$1,040,000	\$1,095,000	\$1,080,000	\$950,072	\$643,555	\$675,000	\$6,453,627
2018	85,000	-	475,000	1,035,000	1,095,000	1,015,000	960,774	643,555	675,000	5,984,329
2019	85,000	-	475,000	975,000	615,000	1,015,000	971,687	643,555	675,000	5,455,242
2020	30,000	-	475,000	975,000	-	1,015,000	982,818	643,555	665,000	4,786,373
2021	25,000	-	475,000	615,000	-	1,015,000	994,394	643,555	525,000	4,292,949
2022	25,000	-	200,000	610,000	-	1,015,000	994,928	643,555	515,000	4,003,483
2023	-	-	200,000	610,000	-	920,000	1,006,741	643,555	515,000	3,895,296
2024	-	-	200,000	610,000	-	920,000	1,018,793	643,555	515,000	3,907,348
2025	-	-	155,000	610,000	-	850,000	1,031,089	643,555	515,000	3,804,644
2026	-	-	155,000	500,000	-	850,000	1,043,632	643,555	425,000	3,617,187
2027	-	-	-	375,000	-	845,000	1,053,927	643,555	425,000	3,342,482
2028	-	-	-	45,000	-	845,000	1,066,979	643,555	425,000	3,025,534
2029	-	-	-	35,000	-	845,000	1,080,297	643,555	425,000	3,028,852
2030	-	-	-	-	-	835,000	1,093,884	643,555	400,000	2,972,439
2031	-	-	-	-	-	835,000	1,107,743	643,555	390,000	2,976,298
2032	-	-	-	-	-	835,000	920,317	643,555	390,000	2,788,872
2033	-	-	-	-	-	770,000	930,674	643,555	390,000	2,734,229
2034	-	-	-	-	-	765,000	363,541	643,555	390,000	2,162,096
2035	-	-	-	-	-	765,000	364,087	643,555	390,000	2,162,642
2036	-	-	-	-	-	765,000	169,194	643,555	390,000	1,967,749
2037	-	-	-	-	-	765,000	-	643,555	390,000	1,798,555
2038	-	-	-	-	-	-	-	643,555	390,000	1,033,555
2039	-	-	-	-	-	-	-	643,555	390,000	1,033,555
2040 - 2049	-	-	-	-	-	-	-	6,435,515	390,000	6,825,515
	<u>\$395,000</u>	<u>\$345,000</u>	<u>\$3,290,000</u>	<u>\$8,035,000</u>	<u>\$2,805,000</u>	<u>\$18,565,000</u>	<u>\$18,105,571</u>	<u>\$21,237,280</u>	<u>\$11,275,000</u>	<u>\$84,052,851</u>

(1) Of the \$84,052,851 outstanding following delivery of the Bonds, approximately \$66,346,787 is exempt from the provisions of Proposition 2 1/2.

(2) The present unpaid balance of state school construction grants payable over the life of outstanding school debt is \$3,372,461. Such grant payments are applicable to both principal and interest and are subject to annual appropriation by the state legislature.

## Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds and of the Town as of June 30, 2016.

### General Obligation Bonds Debt Service Requirements as of June 30, 2016

<u>Fiscal Year</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Principal and Interest</u>
2017	\$6,453,627	\$2,440,398	\$8,894,025
2018	5,984,329	2,225,645	8,209,974
2019	5,455,242	2,040,629	7,495,871
2020	4,786,373	1,846,755	6,633,128
2021	4,292,949	1,682,023	5,974,972
2022	4,003,483	1,542,232	5,545,715
2023	3,895,296	1,409,366	5,304,662
2024	3,907,348	1,285,668	5,193,016
2025	3,804,644	1,171,838	4,976,483
2026	3,617,187	1,062,896	4,680,083
2027	3,342,482	974,137	4,316,619
2028	3,025,534	897,504	3,923,038
2029	3,028,852	827,751	3,856,603
2030	2,972,439	758,698	3,731,136
2031	2,976,298	689,632	3,665,930
2032	2,788,872	621,096	3,409,968
2033	2,734,229	554,343	3,288,572
2034	2,162,096	492,732	2,654,828
2035	2,162,642	435,865	2,598,507
2036	1,967,749	377,555	2,345,304
2037	1,798,555	319,245	2,117,800
2038	1,033,555	260,447	1,294,002
2039	1,033,555	227,937	1,261,492
2040 - 2049	6,825,515	999,280	7,824,795
	<u>\$84,052,851</u>	<u>\$25,143,673</u>	<u>\$109,196,524</u>

(1) Of the \$109,196,524 debt service outstanding, approximately \$89,822,021 is exempt from the provisions of Proposition 2 ½.



## Debt Ratios

The following table sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds and serial notes of the Town of Chatham only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary.")

Fiscal Year End	General Obligation Bonds & Serial Notes Outstanding	Population <sup>(1)</sup>	Equalized Valuation <sup>(2)</sup>	Per Capita Debt	Ratio Debt To Equalized Valuation
2016 .....	\$84,052,851	6,125	\$6,196,588,000	\$13,722.91	1.35%
2015 .....	87,010,677	6,125	6,196,588,000	14,205.82	1.40
2014 .....	78,366,228	6,125	6,302,927,200	12,794.49	1.24
2013 .....	84,449,103	6,125	6,302,927,200	13,787.60	1.34
2012 .....	86,517,958	6,125	6,915,743,700	14,125.38	1.25

(1) Based on 2010 Federal Census.

(2) 2014 equalized valuation is used for fiscal years 2015 and 2016; 2012 equalized valuation is used for fiscal years 2013 and 2014; and 2010 equalized valuation is used for fiscal year 2012.

## Overlapping Debt

The Town of Chatham is in Barnstable County, is a member of the Cape Cod Regional Transit Authority and one of twelve members of the Cape Cod Regional Technical High School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue of Barnstable County, the Cape Cod Regional Transit Authority and the Cape Cod Regional Technical High School District as of June 30, 2016, and the Town's gross share of such debt and the 2017 fiscal dollar assessment for each.

Overlapping Entity	Outstanding Debt	Chatham Estimated Share <sup>(1)</sup>	Dollar Assessment <sup>(2)</sup>
Barnstable County <sup>(3)</sup>	\$23,578,945	7.97%	\$248,838
Cape Cod Regional Transit Authority <sup>(4)</sup>		1.02 <sup>(5)</sup>	16,558 <sup>(5)</sup>
Cape Cod Regional Technical High School District <sup>(6)</sup>	0	2.60 <sup>(7)</sup>	210,206 <sup>(7)</sup>
Monomoy Regional School District <sup>(8)</sup>	26,800,000	27.00	8,660,455
Cape Cod Commission <sup>(9)</sup>	0	7.97	266,788 <sup>(9)</sup>

(1) Estimated share based on debt service only.

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.

(3) SOURCE: Barnstable County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and town within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Estimated share and 2017 dollar assessment shown here are based on the 2014 equalized valuation. Includes Environmental Protection Fund Tax. (See Municipal Services above for information on abolishment of counties.)

(4) SOURCE: Cape Cod Regional Transit Authority. The municipal share is based on a percentage furnished by the Cape Cod Regional Transit Authority as that used in the most recent assessment of aggregate net cost of service of the Transit Authority, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by different formulae. Shares vary from year to year. It has been state practice in recent years to absorb up to approximately 50 per cent of the net cost of service of the Authority, including debt service on the Authority's bonds. The remainder of the net cost of service is assessed on the member municipalities within the territory of the Cape Cod Regional Transit Authority.

(5) Fiscal 2017 assessment.

(Footnotes continued on next page.)

- (6) SOURCE: Cape Cod Regional Technical High School District. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws, a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts. Assessment shown is for fiscal 2017.
- (7) The municipal share is based on the ratio of that member's pupil enrollment to the total pupil enrollment from all the member municipalities in the regional school district as of October 1 of the year preceding the year for which the apportionment is being determined.
- (8) SOURCE: Monomoy Regional School District assessment is for fiscal 2017.
- (9) SOURCE: Barnstable County Treasurer. Environmental Protection Fund.

The Cape Cod Regional Transit Authority has no authorized unissued debt and no outstanding bond anticipation notes. It presently has outstanding \$8,400,000 revenue anticipation notes, payable July 30, 2016.

At present, Cape Cod Regional Technical High School District has no authorized unissued debt. The District is in the planning stages of a complete renovation of the District school which opened in 1975. Costs are estimated to run between \$40,000,000 and \$100,000,000 with anticipated state reimbursement of approximately 42%.

The County of Barnstable has \$8,095,276 in authorized unissued debt consisting of various capital projects.

The Monomoy Regional School District has authorized unissued debt consisting of \$6,550,815 (after MSBA reimbursements) for the purpose of paying for the construction of a new regional high school for the Towns of Chatham and Harwich and has outstanding Bond Anticipation Notes of \$2,000,000 against this authorization. They have a \$28,000,000 General Obligation Bond with the first principal payment of \$1,200,000 due on August 1, 2015.

### **Contractual Obligations**

Obligations to make payments on account of municipal contracts are generally limited to currently available appropriations. A Massachusetts city or town has general statutory authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but in most cases only when funds are available for the first fiscal year; obligations for succeeding fiscal years are in those cases expressly subject to availability and appropriation of funds. Specific authority exists in relatively few cases for long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal (20 year maximum term) and certain contracts by municipal electric departments. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has entered into a twenty-seven year contract, dated August 17, 1985 for solid waste disposal services with SEMASS, a resource recovery facility constructed in the Town of Rochester, Massachusetts. The Town will be allocated a cost of service based on the actual number of tons of Chatham solid waste disposed of at the facility. The Town actual cost of this contract, including tipping fees, for fiscal 2016 was \$413,774. The Town estimates the total annual cost for solid waste disposal will be \$415,000 for fiscal 2017. This estimated amount includes estimated payments to SEMASS and estimated operational cost. It is anticipated that the quantity of waste to be disposed of will increase each year. The present contract ends June 30, 2019.

## RETIREMENT SYSTEM

The Massachusetts General Laws (Chapter 32, Sections 1-28) provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to the separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937, and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. The Town has not established an early retirement program.

The Town participates in the contributory pension system of Barnstable County. The actual and budgeted annual contributions to the retirement system for the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Town Contribution</u>
2017 (budgeted)	\$1,833,890
2016	1,729,864
2015	1,734,970
2014	1,612,647
2013	1,860,903
2012	1,650,463

As of December 31, 2014, the total pension liability of the Barnstable County Retirement System (the "System") was calculated to be \$1,426,632,712 and the market value of the assets was \$862,069,292, leaving an estimated net pension liability of \$564,563,420. <sup>(1)</sup> Based on the current data, the System is 60.43% funded with an assumed rate of return of 7.75%. The Town's share of the net pension liability is \$18,671,253.

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(1) A copy of the Barnstable County Retirement Actuarial Valuation and Review as of December 31, 2014 is available at the Treasurer's office in the Town of Chatham.

The Retirement System's current funding schedule amortizes its unfunded pension liability through fiscal 2038 as shown below.

### Current Barnstable County Funding Schedule

Funding Schedule 1 - Fully Funded by 2036 with COLA base increased to \$16,000 effective July 1, 2015, \$17,000 effective July 1, 2016 and \$18,000 effective July 1, 2017

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of ERI (2010) Liability	(6) Amortization of Remaining Liability	(7) Plan Cost Without Retired County Sheriff Liability: (2) + (3) + (4) + (5) + (6)	(8) Amortization of Retired County Sheriff Liability	(9) Total Plan Appropriation (7) + (8)	(10) Total Unfunded Accrued Liability at Beginning of Fiscal Year	(11) Increase Over Prior Appropriation
2015	\$ 12,682,491	\$ 398,358	\$ 187,423	\$ 263,893	\$ 37,856,333	\$ 51,388,498	\$ 1,085,077	\$ 52,473,575	\$ 598,771,744	-
2016	13,414,430	414,292	194,920	263,893	38,981,509	53,269,044	1,306,971	54,576,015	606,693,833	4.01%
2017	14,179,273	430,864	202,717	263,893	40,865,470	55,942,217	1,359,250	57,301,467	614,829,148	4.99%
2018	14,978,560	448,098	210,825	263,893	42,905,626	58,807,002	1,413,620	60,220,622	622,475,592	5.09%
2019	15,643,228	466,022	219,258	263,893	44,490,138	61,082,539	1,470,165	62,552,704	621,119,141	3.87%
2020	16,337,205	484,663	228,029	263,893	46,171,011	63,484,801	1,528,972	65,013,773	618,385,726	3.93%
2021	17,061,778	504,050	237,150	263,893	47,950,122	66,016,993	1,590,130	67,607,123	614,004,893	3.99%
2022	17,818,288	524,212	246,636	263,893	49,830,003	68,683,032	1,653,736	70,336,768	607,691,388	4.04%
2023	18,608,135	545,180	256,501	-	51,823,203	71,233,019	1,719,885	72,952,904	599,245,011	3.72%
2024	19,432,781	566,987	266,761	-	53,896,131	74,162,660	1,788,681	75,951,341	588,212,594	4.11%
2025	20,293,751	589,667	277,432	-	56,051,977	77,212,827	1,860,228	79,073,055	574,026,208	4.11%
2026	21,192,637	613,253	288,529	-	58,294,056	80,388,475	1,934,637	82,323,112	556,349,462	4.11%
2027	22,131,099	637,784	300,070	-	60,625,818	83,694,771	2,012,022	85,706,793	534,816,218	4.11%
2028	23,110,872	663,295	312,073	-	63,050,851	87,137,091	2,092,503	89,229,594	509,028,134	4.11%
2029	24,133,765	689,827	324,556	-	65,572,885	90,721,033	2,176,203	92,897,236	478,552,020	4.11%
2030	25,201,664	717,420	337,538	-	68,195,800	94,452,422	2,263,252	96,715,674	442,916,975	4.11%
2031	26,316,542	746,117	351,040	-	70,923,632	98,337,331	2,353,782	100,691,113	401,611,302	4.11%
2032	27,480,454	775,961	365,081	-	73,760,577	102,382,073	2,447,933	104,830,006	354,079,169	4.11%
2033	28,695,546	807,000	379,684	-	76,711,001	106,593,231	2,545,850	109,139,081	299,717,016	4.11%
2034	29,964,058	839,280	394,872	-	79,779,441	110,977,651	2,647,684	113,625,335	237,869,665	4.11%
2035	31,288,326	872,851	410,667	-	82,970,618	115,542,462	2,753,592	118,296,054	167,826,126	4.11%
2036	32,670,789	907,733	427,094	-	86,289,444	120,295,060	2,863,734	123,158,794	88,815,076	4.11%
2037	34,113,991	-	-	-	-	34,113,991	-	34,113,991	-	-72.30%
2038	35,620,590	-	-	-	-	35,620,590	-	35,620,590	-	4.42%

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.  
Item (2) reflects 4.0% growth in payroll and 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to the generational mortality assumption.  
Projected normal cost does not reflect the future impact of pension reform for future hires.  
Amortization payments calculated to increase 4.0% per year, except for 2010 ERI amortization payments, which are level.  
Reflects deferred investment gains.  
The Retiree Sheriff 2002 ERI payment is included in item (8).  
Fiscal 2016, 2017 and 2018 amounts are adjusted to reflect the increase in the COLA base effective that July 1.

Source: January 1, 2014 Barnstable County Retirement System Actuarial Valuation. The Segal Group, Inc.

### OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The benefits are generally provided on a pay-as-you-go basis. The following table lists the benefits paid at the end of each of the current and prior fiscal years:

Fiscal Year	Total Other Post-Employment Benefits
2017 (budgeted)	\$662,575
2016	647,193
2015	626,984
2014	794,210
2013	774,120
2012	902,000

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding such benefits, but the basis applied by the

standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town participated in GASB 45 Actuarial Services Project to be performed by the Segal Company for the Barnstable County Retirement Association. The actuarial accrued liability of this obligation by the Town of Chatham as of July 1, 2014 is estimated to be \$16,668,879 on a pay-as-you-go basis (6.00% rate) and \$13,807,108 on a funded basis (7.50% rate). This would require an annual contribution by the Town of \$1,162,949 on a partially funded basis and \$1,051,286 on a funded basis.

At the May 14, 2012 Annual Town Meeting, it was voted to adopt MGL Chapter 32B, Section 20 authorizing the Town to create an Other Post-Employment Health Insurance Liability Trust Fund for the purpose of funding future financial obligations of the Town for health insurance benefits of retirees. The balance in the Fund as of June 30, 2016 was \$421,080. At the Annual Town Meeting in May 2016, it was voted to add \$150,000 from the fiscal 2017 budget.

## EMPLOYEE RELATIONS

The Town employs approximately 127 full time and permanent part-time workers, of whom 27 are employed by the Police Department, 27 by the Fire Department, and the balance by other departments of the Town. Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Provisions for compulsory arbitration of labor disputes involving fire fighters and police officers were repealed by the initiative law adopted at the November 1980 election. Of the full and part-time employees of the Town, 121 are represented by unions. Union contracts expire as follows:

<u>Department</u>	<u>No. of Employees</u>	<u>Expiration of Contract</u>
Fire	25	6/30/18
Police	18	6/30/18
Dispatch	5	6/30/18
CMEA	73	6/30/15 (1)

(1) Contracts are in negotiations.

## LITIGATION

At present there are several cases pending in various courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town, there is no litigation either pending or threatened, which is likely to result, either individually or in the aggregate, in final judgment against the Town that would materially affect its financial position.

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TOWN OF CHATHAM, MASSACHUSETTS  
/s/ Alix Heilala, Finance Director

August 23, 2016

**TOWN OF CHATHAM, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDING JUNE 30, 2015**

**TOWN OF CHATHAM, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**Lynch, Malloy, Marini, LLP**

*Certified Public Accountants & Advisors*

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Board of Selectmen  
Town of Chatham, Massachusetts

### ***Report on the Financial Statements***

We have audited, with the following exception, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Eldredge Public Library (the "Library") the discretely presented component of the Town, as of and for the year ended June 30, 2015. The accompanying financial statements do not include all disclosures for the Library, as required by generally accepted accounting principles. Such information can be found in separate financial statements for the year ended June 30, 2015, which was audited by other auditors.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Library. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Library, is based solely on the report of the other auditors. We assume no responsibility for the work or opinion of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Library were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Chatham, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The other auditor's report on the financial statements of the Library, the discretely presented component unit of the Town of Chatham, Massachusetts indicated those financial statements present fairly, in all material respects the respective financial position of the Library, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages v-xii), and the Budgetary Comparison Schedule – General Fund and the Schedule of Funding Progress- Other Post-Employment Benefits ("OPEB") Plan and the Schedule of Contributions – Pension Plan (on pages 36 - 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2016, on our consideration of the Town of Chatham, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Chatham, Massachusetts's internal control over financial reporting and compliance.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts

May 31, 2016





Lynch, Malloy, Marini, LLP

*Certified Public Accountants & Advisors*

[www.lmmcpas.com](http://www.lmmcpas.com)

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen  
Town of Chatham, Massachusetts

We have audited, with the following exception, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the financial statements of Town of Chatham, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Chatham, Massachusetts' basic financial statements and have issued our report thereon dated May 31, 2016. Our report includes a reference to other auditors and the audited financial statements of the Library, the discretely presented component unit of the Town, as described in our report on the Town of Chatham, Massachusetts financial statements. The financial statements of the Library were not audited in accordance with Governmental Auditing Standards; and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the library. We did not audit the financial statements of the Eldredge Public Library (the "Library") the discretely presented component unit, as of and for the year ended June 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Chatham's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Chatham's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Chatham's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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■ 99 Longwater Circle, Suite 200  
Norwell, MA 02061  
781-871-5850

■ 9 Baystate Court  
Brewster, MA 02631  
508-255-2240

■ 41 West Central Street  
Natick, MA 01760  
508-650-0018

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chatham, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts  
May 31, 2016



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## TOWN OF CHATHAM, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

As management of the Town of Chatham, Massachusetts (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2015 and 2014. We encourage readers to consider the information presented here in the Management Discussion and Analysis and the following accompanying pages.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements 2) fund financial statements and 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as required by the Government Accounting Standards Board (GASB) is presented to provide additional analysis. It should be noted the GASB required implementation of GASB#68, *Accounting and Financial Reporting for Pensions*, which had a significant impact upon the Town's Statement of Net Position for the year ended June 30, 2015.

#### **Government-Wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

*Statement of Net Position:* The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

*Statement of Activities:* The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes, or earned but unused sick and vacation time). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

Both of the government wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges. The governmental activities of the Town include the broad functions of general government, public safety, education, public works, health and human services, culture and recreation, and the major services provided within each functional category. The business-type activities include the water and wood waste reclamation activities.

The government-wide financial statements include not only the Town of Chatham itself (known as the primary government), but also Eldredge Public Library, Inc. for which the Town of Chatham contributes a majority of their funding for their annual operations. Although Eldredge Public Library, Inc. is a legal separate entity, the library receives a significant portion of their annual operating budget from the Town of Chatham and therefore, is a discretely presented component unit of the Town. The financial information of Eldredge Public Library, Inc. is reported separately from the financial information presented for the primary government itself, and has not been presented within this Management's Discussion and Analysis.

See Independent Auditors' report

## TOWN OF CHATHAM, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

#### **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statement presentation to be familiar. A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities, the Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements. All of the Town funds can be divided into three categories as follows:

***Governmental Funds:*** Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near term inflows and outflows of resources to be spent. The focus is also on the balances left at the end of the fiscal year available for spending. This information is useful in evaluating the Town's near term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near term financing decisions. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate the comparison. The reconciliation is presented on the page immediately following the governmental funds financial statements.

The Town maintains several governmental funds. Of the funds three are considered major funds (the general fund, the wastewater facility capital project, and the state highway chapter 90 fund) and are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as nonmajor governmental funds. The basic governmental fund financial statements can be found on the accompanying pages of this report.

***Proprietary Funds:*** The Town of Chatham maintains two proprietary funds. The Town uses the proprietary funds to account for its water and waste wood reclamation activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail for the water operations.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

***Fiduciary Funds:*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the Town's functions and activities. The full accrual basis of accounting is used for fiduciary funds. The fiduciary fund financial statements provide separate information for private purpose trust funds, other post employment benefits trust fund (OPEB), and agency funds. The fiduciary fund financial statements can be found on the accompanying pages of this report.

See Independent Auditors' report



# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2015

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found the accompanying pages of this report.

**Required supplementary information:** The Town adopts an annual budget for its general fund. A Budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget. Additionally, the Town reports the schedule of funding progress for its Other Post Employment Benefit Plan (OPEB) Plan and schedule of employer pension contributions.

### Government Wide Financial analysis

**Statement of Net Position:** The following table reflects the condensed schedule of net position based on the statement of net position of the primary government found on the accompanying pages of this report.

	<b>FY 2015</b>	<b>FY 2014</b>
	<b>Primary</b>	<b>Primary</b>
	<b><u>Government</u></b>	<b><u>Government</u></b>
Current assets	\$ 60,894,415	\$ 55,782,186
Capital assets	<u>170,708,417</u>	<u>167,266,058</u>
Total assets	231,602,832	223,048,244
Deferred charges	<u>77,802</u>	<u>61,100</u>
Total deferred outflows of resources	77,802	61,100
Total assets and deferred outflows of resources	<u>\$ 231,680,634</u>	<u>\$ 223,109,344</u>
Current liabilities	\$ 35,591,520	\$ 41,788,792
Long-term liabilities	<u>111,016,299</u>	<u>82,474,762</u>
Total liabilities	146,607,819	124,263,554
Unamortized bond premiums	1,692,504	1,862,178
Deferred revenue	<u>2,108,650</u>	<u>1,600,927</u>
Total deferred inflows of resources	3,801,154	3,463,105
Invested in capital assets, net of related debt	81,939,334	88,472,661
Restricted	4,553,641	4,361,478
Unrestricted	<u>(5,221,314)</u>	<u>2,548,546</u>
Total net position	<u>81,271,661</u>	<u>95,382,685</u>
Total liabilities, deferred inflows and net position	<u>\$ 231,680,634</u>	<u>\$ 223,109,344</u>

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2015 and 2014 by \$81,271,661 and \$95,382,685 (presented as net position), respectively. Included in these amounts are unrestricted net position of \$ (5,221,314) and \$2,548,546, respectively.

See Independent Auditors' report

# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2015

The components of net position include investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, water and sewer pipes, and other immovable assets), less any related debt used to acquire that asset that is still outstanding – the amount is \$81,939,334 and \$88,472,661 at June 30, 2015 and 2014, indicating the amount of capital debt does not exceed the net book value of the Town's capital assets. The Town uses these capital assets to service the community; therefore they are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

*Statement of Activities:* The Town's total net position (primary government) increased by \$4,403,547 and increased by \$4,337,681 during fiscal year 2015 and 2014, respectively.

This summary schedule - governmental activities, is based upon the statement found in the accompanying pages of this report:

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	
	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 5,249,067	\$ 4,608,877
Operating grants and contributions	913,269	3,330,030
Capital grants and contributions	339,561	-
<b>Total program revenues</b>	<b>6,501,897</b>	<b>7,938,907</b>
General Revenues:		
Property taxes levied	31,164,899	30,762,728
Excise taxes	2,852,403	2,697,494
Penalties and interest on taxes	220,604	264,396
Grants and contributions not restricted	133,917	130,303
Loss on disposal of capital assets	(30,958)	(31,148)
Investment income	72,163	190,284
Miscellaneous	943,002	297,670
Transfers	(740,300)	(590,300)
<b>Total general revenues</b>	<b>34,615,730</b>	<b>33,721,426</b>
<b>Total Revenues</b>	<b>41,117,627</b>	<b>41,660,334</b>

See Independent Auditors' report

# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2015

	<b>Primary Government Governmental Activities</b>	
	<hr/>	
<b>Expenses:</b>	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
General government	\$ 3,163,914	\$ 3,156,150
Public safety	7,237,023	6,270,015
Community planning and development	650,592	608,355
Education	8,768,388	8,624,789
Public works	7,350,097	6,689,259
Health and human services	677,749	590,346
Culture and recreation	1,410,375	1,362,003
Coastal resources	1,413,602	1,256,026
Interest on long term debt	1,831,475	1,757,085
Employee fringe benefits	4,410,417	6,640,308
State and county charges	<u>669,675</u>	<u>626,980</u>
<b>Total Expenses</b>	<b>37,583,307</b>	<b>37,581,316</b>
<b>Change in net position</b>	<b>3,534,320</b>	<b>4,079,018</b>
Net position – beginning of year, restated	<u>63,391,574</u>	<u>75,235,127</u>
Net position – end of year	<u><b>\$ 66,925,894</b></u>	<u><b>\$ 79,314,145</b></u>

### ***Total Revenues***

Total governmental activities revenues decreased \$542,000 from 2014 for the Town. The majority of this decrease relates to the decrease in the operating grant and contribution revenue related to the USDA Wastewater Treatment Facility construction grants and on behalf payments by the Commonwealth of Massachusetts to the Massachusetts Teachers' Retirement System.

### ***General Revenues***

Real Estate revenues were the Town's largest revenue source at \$31,164,899 and \$30,762,728, representing 90.03% and 91.2% of general revenues for 2015 and 2014, respectively. While the tax rates have slightly decreased, the assessed tax valuation base increased to \$5,949,396,990 in 2015 from \$5,778,263,310 in 2014. The increase of 2.96% is due to increasing property values.

### ***Program Revenues***

Governmental charges for services were \$5,249,067 and \$4,608,877 representing a variety of departmental revenues for 2015 and 2014, respectively. The largest of portion relates to Public Works revenues of \$2,317,440 and \$1,809,090, for charges for services for the landfill and sewer for 2015 and 2014, respectively.

Governmental operating grants and contributions of \$913,269 and \$3,330,030 represent several federal and state grants restricted to specific grant conditions. This accounts for approximately 2.22% and 8.0% of the total Town governmental activities revenues. This relates to the decrease in USDA Wastewater Treatment Facility construction grants received in fiscal year 2015 compared to the prior year.

See Independent Auditors' report

# TOWN OF CHATHAM, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2015

### *Expenses*

For fiscal year ended June 30, 2015 and 2014, expenses for governmental activities totaled \$37,583,307 and \$37,581,315. The total expenses were consistent with the prior year. There was an increase in the public work expense from \$6,689,259 to \$7,350,097 due to increased highway expenses from increased paving in 2015 and various other changes in expenditures. The increase was offset by a decrease in the employee fringe benefits due to no retirement expenses for teachers in 2015 relating to on behalf payments by the Commonwealth of Massachusetts to the Massachusetts Teacher's Retirement System, because of the Town's participation in the Monomoy Regional School District.

This summary schedule of activities – Business-Type Activities is based upon the statement found in the accompanying pages of this report:

	<b>Primary Government</b>	
	<b>Business-Type Activities</b>	
	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 2,689,915	\$ 2,577,979
Fines and forfeitures	22,495	23,571
<b>Total operating revenues</b>	<b>2,712,410</b>	<b>2,601,550</b>
<b>Expenses:</b>		
Salaries, wages, and employee benefits	414,697	393,653
Expenses	1,413,906	1,753,235
Depreciation	779,658	775,176
<b>Total expenses</b>	<b>2,608,261</b>	<b>2,922,064</b>
<b>Total operating income</b>	<b>104,149</b>	<b>(320,514)</b>
<b>Non operating revenues (expenses)</b>		
Debt service	(152,285)	(202,498)
Water tower lease	327,063	191,375
Transfers in	590,300	590,300
<b>Total non operating revenue (expenses), net</b>	<b>765,078</b>	<b>579,177</b>
<b>Change in net position</b>	<b>869,227</b>	<b>258,663</b>
Net position – beginning of year, restated	<b>13,476,540</b>	<b>15,809,877</b>
Net position – end of year	<b>\$ 14,345,767</b>	<b>\$ 16,068,540</b>

### *Operating Revenues*

Total business-type activities operating revenues showed a modest increase of approximately \$111,000 from the prior year.

### *Expenses*

Total business-type activities operating expenses showed a decrease of approximately \$314,000 from the prior year from contracted services and maintenance expenses.

See Independent Auditors' report

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## **TOWN OF CHATHAM, MASSACHUSETTS**

### **Management's Discussion and Analysis**

June 30, 2015

#### **Financial Analysis of the Government's Fund Financial Statements**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$20,881,293 an increase of approximately \$10,193,821 (due primarily to issuance of \$14.1 million of long-term debt) from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable fund balance of \$772,049, restricted fund balance of \$13,760,363 committed fund balance of \$4,769,194; assigned fund balance of \$988,285 and unassigned fund balance of \$591,402.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$11.3 million, an increase of \$1 million from the previous year. Of this amount \$1,430,498 or 12.7% represents restricted fund balance. Committed fund balance of \$3,175,830 and assigned fund balance of \$988,285 represent 28.1% and 8.7% of total general fund balance respectively. Unassigned fund balance of \$5,702,643 represents 50.5% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents approximately 15.2% and 14.8%, respectively, of total general fund expenditures and revenues. Total General Fund balance represents 30.2% and 29.3%, respectively, of the same amounts.

#### **General Fund Budgetary Highlights**

The difference between the original expenditure budget of \$41,939,440 and the final expenditure budget of \$38,675,325 is due to \$3.2 million in encumbrances and articles being carried over to the subsequent fiscal year.

#### **Capital Asset and Debt Administration**

*Capital Assets:* The Town's investment in capital assets for governmental activities as of June 30, 2015 and 2014, amounts to \$151,814,055 and \$148,320,420, which is net of accumulated depreciation of \$52,582,080 and \$48,266,194. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

The Town's investment in capital assets for business-type activities as of June 30, 2015 and 2014, amounts to \$18,894,362 and \$18,945,638, which is net of accumulated depreciation of \$20,982,884 and \$20,203,226. The investment in capital assets includes land; buildings; machinery and equipment and infrastructure.

See Independent Auditors' report

## TOWN OF CHATHAM, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

The table below represents a summary of the Town's capital assets by category (in thousands):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 31,490	\$ 30,780	\$ 3,163	\$ 3,163
Construction in progress	13,059	6,393	667	225
Buildings and improvements	91,755	94,781	1,065	1,119
Improvements non-buildings	5,526	6,019	518	553
Equipment, machinery & vehicles	2,399	2,700	50	71
Infrastructure	7,585	7,647	13,431	13,815
	<u>\$ 151,814</u>	<u>\$ 148,320</u>	<u>\$ 18,894</u>	<u>\$ 18,946</u>

Major capital asset events for governmental and business-type activities during 2015 include the following:

- Highway and sidewalk improvements
- Land
- Construction costs on wastewater treatment facility
- Fire station headquarters
- Vehicle additions (police, fire, highway, shellfish)

*Long-term debt:* At June 30, 2015, the Town had total bonded debt outstanding of \$80,386,367 and \$6,690,212 for the governmental and business-type activities, respectively, which is a decrease of 7.0% for the governmental and a decrease of 11.5% for the business-type activities from prior year. All debt is a general obligation of the Town.

The Town of Chatham maintains a bond rating of AAA with Standard and Poor's Corporation.

### **Economic Factors and Next Year's Budgets and Rates**

The Town has increased its property tax levy by 4.9%, from \$29.7 million in 2015 to \$31.1 million in 2016. The increase was from new growth, debt exclusions and increased debt service.

The operating budget decreased 5.0% compared to the FY 15 budget. The decrease is mostly attributable to significant projects funded through free cash in FY 15 for fire station mitigation, Monomoy funding and fire contract funding and fewer projects in FY 16.

### **Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. Questions concerning any information provided in this report or requests for additional information should be addressed to Town of Chatham, Attn: Accounting Office, 549 Main Street, Chatham, MA 02633.

See Independent Auditors' report

## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Net Position  
June 30, 2015

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Eldredge Public</b>
	<b>Activities</b>	<b>Activities</b>		<b>Library</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 20,107,290	\$ 3,881,673	\$ 23,988,963	\$ 113,233
Investments	6,061,726		6,061,726	5,046,740
Receivables, net of allowances for uncollectibles	6,502,756	959,033	7,461,789	
Other receivables	23,381,937		23,381,937	
Capital assets, net of accumulated depreciation	151,814,055	18,894,362	170,708,417	30,651
Total assets	207,867,764	23,735,068	231,602,832	5,190,624
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Net difference between projected and actual pension earnings	27,976	4,000	31,976	
Unamortized bond costs	42,365	3,461	45,826	
Total deferred outflows of resources	70,341	7,461	77,802	
Total assets and deferred outflows of resources	\$ 207,938,105	\$ 23,742,529	\$231,680,634	\$ 5,190,624
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 1,270,662	\$ 23,759	\$ 1,294,421	\$ 19,031
Accrued interest	352,000	50,170	402,170	
Notes payable	26,785,925		26,785,925	100
Provision for refund of paid taxes	571,328		571,328	
Agency and other payables	215,700		215,700	
Noncurrent liabilities				
Due within one year	5,514,370	807,606	6,321,976	
Due in more than one year	102,516,793	8,499,506	111,016,299	21,501
Total liabilities	137,226,778	9,381,041	146,607,819	40,632
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Revenues	2,108,650		2,108,650	
Unamortized bond premiums	1,676,783	15,721	1,692,504	
Total deferred inflows of resources	3,785,433	15,721	3,801,154	-
<b><u>NET POSITION</u></b>				
Net investment in capital assets	69,750,905	12,188,429	81,939,334	
Restricted	4,553,641		4,553,641	1,006,316
Unrestricted	(7,378,652)	2,157,338	(5,221,314)	4,143,676
Total net position	66,925,894	14,345,767	81,271,661	5,149,992
Total liabilities, deferred inflows of resources, and net position	\$ 207,938,105	\$ 23,742,529	\$231,680,634	\$ 5,190,624

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Eldredge Public Library
<b>Primary Government</b>								
Governmental activities								
General government	\$ 3,163,914	\$ 349,494	\$ 366,924	\$ 198,361	\$ (2,447,496)	\$	\$ (2,447,496)	\$
Public safety	7,237,023	1,110,041	29,518		(5,899,103)		(5,899,103)	
Community planning and development	650,592				(650,592)		(650,592)	
Education	8,768,388		81,630		(8,686,758)		(8,686,758)	
Public works	7,350,097	2,317,440	55,436		(4,977,221)		(4,977,221)	
Health and human services	677,749	87,361	29,242		(561,146)		(561,146)	
Culture and recreation	1,410,375	189,298	18,418		(1,202,659)		(1,202,659)	
Coastal resources	1,413,602	1,195,433	70,866	141,200	(6,103)		(6,103)	
Interest on long-term debt	1,831,475		261,235		(1,570,240)		(1,570,240)	
Employee fringe benefits	4,410,417				(4,410,417)		(4,410,417)	
State and county charges	669,675				(669,675)		(669,675)	
Total governmental activities	37,583,307	5,249,067	913,269	339,561	(31,081,410)		(31,081,410)	
Business-type activities								
Water fund	2,709,004	3,003,797				294,793	294,793	
Wood Waste Reclamation Center	51,542	35,676				(15,866)	(15,866)	
Total business-type	2,760,546	3,039,473				278,927	278,927	
Total primary government	\$ 40,343,853	\$ 8,288,540	\$ 913,269	\$ 339,561	(31,081,410)	278,927	(30,802,483)	
<b>Component Unit</b>								
Eldredge Public Library	\$ 861,923	\$	\$ 722,104	\$				(139,819)
General revenues								
Property taxes, net of allowances for uncollectibles					31,164,899		31,164,899	
Excise taxes					2,852,403		2,852,403	
Penalties and interest on taxes					220,604		220,604	
Grants and contributions not restricted to specific programs					133,917		133,917	
Investment income					72,163		72,163	148,156
Loss on disposal of assets					(30,958)		(30,958)	
Miscellaneous					943,002		943,002	10,785
Transfers					(740,300)	590,300	(150,000)	
Total general revenues and transfers					34,615,730	590,300	35,206,030	158,941
Change in net position					3,534,320	869,227	4,403,547	19,122
Net position - beginning of year, restated					63,391,574	13,476,540	76,868,114	5,130,870
Net position - end of year					\$ 66,925,894	\$ 14,345,767	\$ 81,271,661	\$ 5,149,992

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**

Balance Sheet - Governmental Fund

June 30, 2015

	<b>General Fund</b>	<b>Wastewater Facility</b>	<b>State Highway Chapter 90</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 10,450,433	\$	\$	\$ 9,656,857	\$ 20,107,290
Investments	2,268,065			3,793,661	6,061,726
Interfund receivables				1,515,471	1,515,471
Receivables, net	4,718,276		2,108,650	29,830	6,856,756
Other receivables		23,381,937			23,381,937
Total assets	<u>\$ 17,436,774</u>	<u>\$ 23,381,937</u>	<u>\$ 2,108,650</u>	<u>\$ 14,995,819</u>	<u>\$ 57,923,180</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 808,171	\$	\$	\$ 462,491	\$ 1,270,662
Interfund payables		1,515,471			1,515,471
Notes payable		26,785,925			26,785,925
Provision for refund of paid taxes	571,328				571,328
Agency and other payables	215,700				215,700
Total liabilities	<u>1,595,199</u>	<u>28,301,396</u>		<u>462,491</u>	<u>30,359,086</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred revenue	4,544,319		2,108,650	29,832	6,682,801
Total deferred inflows of resources	<u>4,544,319</u>		<u>2,108,650</u>	<u>29,832</u>	<u>6,682,801</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable				772,049	772,049
Restricted	1,430,498			12,329,865	13,760,363
Committed	3,175,830			1,593,364	4,769,194
Assigned	988,285				988,285
Unassigned	5,702,643	(4,919,459)		(191,782)	591,402
Total fund balances	<u>11,297,256</u>	<u>(4,919,459)</u>		<u>14,503,496</u>	<u>20,881,293</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 17,436,774</u>	<u>\$ 23,381,937</u>	<u>\$ 2,108,650</u>	<u>\$ 14,995,819</u>	<u>\$ 57,923,180</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 20,881,293
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and not reported in funds.	151,814,055
Certain deferred inflows of resources are accrued as revenue on a full accrual basis and not in funds.	4,574,151
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(354,000)
Long-term liabilities, net of deferred charges, of are not due and payable in the current period and are not included in funds.	(108,031,163)
Certain deferred outflows of resources are reported on a full accrual basis and not in funds.	70,341
Unamortized bond premiums are reported as deferred inflows of resources on a full accrual basis.	(1,676,783)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(352,000)
Net position of governmental activities	<u>\$ 66,925,894</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund:  
For the Year Ended June 30, 2015

	<b>General Fund</b>	<b>Wastewater Facility</b>	<b>State Highway Chapter 90</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Property taxes	\$ 29,399,813	\$	\$	\$ 1,648,762	\$ 31,048,575
Interfund receivables	2,855,815				2,855,815
Licenses and permits	1,104,524			332,919	1,437,443
Penalties and interest	178,476			3,128	181,604
Investment income	44,349			27,814	72,163
Charges for services	2,443,067			141,081	2,584,148
Special assessments	106,538				106,538
Fees and fines	59,324			44,700	104,024
Contributions				243,383	243,383
Interfund payables	1,172,571			153,420	1,325,991
Intergovernmental	1,144,004			1,423,971	2,567,975
Total revenues	38,508,481	-	-	4,019,178	42,527,659
<b>Expenditures</b>					
Current:					
General government	2,805,314			907,201	3,712,515
Public safety	6,478,676			1,971,662	8,450,338
Education	8,107,093			56,250	8,163,343
Public works	5,288,280	3,523,818		1,498,825	10,310,923
Community planning and development	654,996				654,996
Health and human services	611,939			47,341	659,280
Culture and recreation	967,510			72,617	1,040,127
Coastal resources	964,504			265,172	1,229,676
Employee benefits	3,905,144				3,905,144
State and county assessments	669,675				669,675
Debt Service:					
Principal, interest and other charges	6,965,374				6,965,374
Total expenditures	37,418,505	3,523,818	-	4,819,068	45,761,391
Revenues over (under) expenditures	1,089,976	(3,523,818)	-	(799,890)	(3,233,732)
<b>Other financing sources (uses)</b>					
Issuance of long term debt		4,072,853		10,095,000	14,167,853
Transfers in from other funds	1,443,670			1,035,268	2,478,938
Transfers out to other funds	(1,475,568)			(1,743,670)	(3,219,238)
Total other financing sources and (uses)	(31,898)	4,072,853	-	9,386,598	13,427,553
Revenues and other financing sources over (under) expenditures and other financing uses	1,058,078	549,035		8,586,708	10,193,821
Fund balances, beginning of year	10,239,178	(5,468,494)	-	5,916,788	10,687,472
Fund balances, end of year	\$ 11,297,256	\$ (4,919,459)	\$ -	\$ 14,503,496	\$ 20,881,293

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
To Statement of Activities  
For the Year Ended June 30, 2015

Revenues and other financing sources over expenditures and other financing uses	\$ 10,193,821
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year	7,866,117
Depreciation recorded for the fiscal year	(4,341,524)
Loss on disposal of capital assets	(30,958)
Certain deferred outflows of resources are recognized on the government-wide basis to be amortized over future periods.	
Net difference between projected and actual pension earnings.	27,976
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.	
Net change in deferred revenue	(634,794)
Net change in allowance for uncollectible accounts	(3,980)
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Proceeds from long-term debt	(14,167,853)
Principal payments on long-term debt	4,959,886
Amortization from bond premiums	164,434
Amortization of bond issuance costs	(14,121)
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.	
Net change in accrued interest expense	23,700
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:	
Net pension liability	(134,682)
Other post employment benefits	(398,566)
Compensated absences	(136)
Landfill closure liability	<u>25,000</u>
Change in net position of governmental activities	<u>\$ 3,534,320</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Net Position - Proprietary Funds  
June 30, 2015

	<b>Business-Type Activities</b>		
	<b>Water Activities</b>	<b>Wood Waste Reclamation Facility</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,670,695	\$ 210,978	\$ 3,881,673
Receivables, net of allowances for uncollectibles	959,033		959,033
Capital assets, net of accumulated depreciation	16,669,362	2,225,000	18,894,362
Total assets	21,299,090	2,435,978	23,735,068
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Net difference between projected and actual pension earnings	4,000		4,000
Unamortized bond costs	3,461		3,461
Total deferred outflows of resources	7,461		7,461
Total assets and deferred outflows	\$ 21,306,551	\$ 2,435,978	\$ 23,742,529
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 23,759	\$	\$ 23,759
Accrued interest	46,500	3,670	50,170
Noncurrent liabilities:			
Due within one year	662,606	145,000	807,606
Due in more than one year	7,919,506	580,000	8,499,506
Total liabilities	8,652,371	728,670	9,381,041
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unamortized bond premiums	15,721		15,721
Total deferred inflows of resources	15,721		15,721
<b><u>NET POSITION</u></b>			
Net investment in capital assets	10,688,429	1,500,000	12,188,429
Unrestricted	1,950,030	207,308	2,157,338
Total net position	12,638,459	1,707,308	14,345,767
Total liabilities, deferred inflows, and net position	\$ 21,306,551	\$ 2,435,978	\$ 23,742,529

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds

June 30, 2015

	<b>Business-Type Activities</b>		
	<b>Water Activities</b>	<b>Wood Waste Reclamation Facility</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for services, departmental and other	\$ 2,654,239	\$ 35,676	\$ 2,689,915
Fines and forfeitures	22,495		22,495
Total operating revenues	2,676,734	35,676	2,712,410
<b>Operating expenses</b>			
Salaries and wages	414,697		414,697
Operating expenses	1,401,905	12,000	1,413,905
Depreciation	779,659		779,659
Total operating expenses	2,596,261	12,000	2,608,261
<b>Operating income (loss)</b>	80,473	23,676	104,149
<b>Non operating revenues (expenses)</b>			
Water tower lease	327,063		327,063
Interest expense	(112,743)	(39,542)	(152,285)
Total non-operating revenue (expenses), net	214,320	(39,542)	174,778
<b>Transfers</b>			
Transfers in from other funds	400,000	190,300	590,300
Total transfers	400,000	190,300	590,300
<b>Change in net position</b>	694,793	174,434	869,227
Net position at beginning of year, restated	11,943,666	1,532,874	13,476,540
Net position at end of year	\$ 12,638,459	\$ 1,707,308	\$ 14,345,767

The accompanying notes are an integral part of these financial statements

**TOWN OF CHATHAM, MASSACHUSETTS**

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2015

	<u><b>Business-Type Activities</b></u>		
	<u><b>Water Activities</b></u>	<u><b>Wood Waste Reclamation Facility</b></u>	<u><b>Total Enterprise</b></u>
<b>Cash flows from operating activities</b>			
Receipts from customers and users	\$ 2,520,846	\$ 35,676	\$ 2,556,522
Payments to vendors	(1,441,998)	(12,000)	(1,453,998)
Payments to employees, including fringe benefits	(392,697)		(392,697)
Net cash provided by (used for) operating activities	<u>686,151</u>	<u>23,676</u>	<u>709,827</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer in from General Fund	400,000	190,300	590,300
Water tower lease	327,063		327,063
Net cash used for capital and related financing activities	<u>727,063</u>	<u>190,300</u>	<u>917,363</u>
<b>Cash flows from capital and related financing activities</b>			
Payments of long-term debt principal	(542,606)	(150,000)	(692,606)
Retirements of bond anticipation notes	(1,410,000)		(1,410,000)
Proceeds from bonds	1,630,000		1,630,000
Payments of interest costs	(119,758)	(40,300)	(160,058)
Net cash provided by (used for) capital and related financing activities	<u>(442,364)</u>	<u>(190,300)</u>	<u>(632,664)</u>
<b>Cash flows from investing activities</b>			
Purchase of capital assets	(728,383)		(728,383)
Net difference between projected and actual pension earnings	(4,000)		(4,000)
Net cash (used for) investing activities	<u>(732,383)</u>		<u>(732,383)</u>
Net change in cash and cash equivalents	238,467	23,676	262,143
Cash and cash equivalents, at the beginning of year	3,432,228	187,302	3,619,530
Cash and cash equivalents, at the end of year	<u><u>\$ 3,670,695</u></u>	<u><u>\$ 210,978</u></u>	<u><u>\$ 3,881,673</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 80,473	\$ 23,676	\$ 104,149
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	779,659		779,659
Changes in assets and liabilities:			
User fees receivable, net of allowance for collectibles	(155,889)		(155,889)
Warrants payable	(35,796)		(35,796)
Accrued compensated absences	(4,296)		(4,296)
Net pension liability	22,000		22,000
Total adjustments	<u>605,678</u>		<u>605,678</u>
Net cash provided by (used for) operating activities	<u><u>\$ 686,151</u></u>	<u><u>\$ 23,676</u></u>	<u><u>\$ 709,827</u></u>

The accompanying notes are an integral part of these financial statements.



**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2015

	<b>Private Purpose Trust Fund</b>	<b>Other Post- Employment Benefits Trust Fund</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,117	\$ 150,000	\$ 743,273
Investments		106,241	
Receivables, net of allowance for uncollectibles			43,692
Total assets	<u>\$ 3,117</u>	<u>\$ 256,241</u>	<u>\$ 786,965</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	<u>\$</u>	<u>\$</u>	<u>\$ 786,965</u>
Total liabilities			786,965
<b><u>NET POSITION</u></b>			
Held in trust	<u>3,117</u>	<u>256,241</u>	
Total liabilities and net position	<u>\$ 3,117</u>	<u>\$ 256,241</u>	<u>\$ 786,965</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF CHATHAM, MASSACHUSETTS**  
Statement of Changes in Fiduciary Net Position - Fiduciary Fund  
For the Year Ended June 30, 2015

	<b>Private Purpose Trust Funds</b>	<b>Other Post- Employment Benefits Trust Fund</b>
<b>Additions</b>		
Interest and dividends	\$ 56	\$
Investment income		888
Total additions	<u>56</u>	<u>888</u>
<b>Other financing sources</b>		
Transfer in		150,000
Change in net position	<u>56</u>	<u>150,888</u>
Net position at beginning of year	<u>3,061</u>	<u>105,353</u>
Net position at end of year	<u><u>\$ 3,117</u></u>	<u><u>\$ 256,241</u></u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

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# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### **Note 1. Organization and Reporting Entity**

#### **A. Organization**

The Town of Chatham, Massachusetts (the “Town”), was incorporated June 11, 1712. The Town operates under a Town Meeting form of government. The Town’s major operations include police and fire protection, parks and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, septage facility and transfer station.

#### **B. Reporting Entity**

##### General

The accompanying financial statements present the Town of Chatham, Massachusetts (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. One entity has been included as a component unit in the reporting entity, because of the significance of their financial relationship with the Town.

*Discretely Presented Component Units* – Discretely presented component units are entities that are legally separate from the Town, but are financially accountable to the Town, or whose relationship with the Town are such that exclusion would cause the Town’s financial statements to be misleading or incomplete. The Town has included The Eldredge Public Library, Inc. (the Library), a not-for-profit organization, as a Discretely Presented Component Unit because it is fiscally dependent on the Town and because the nature and significance of the relationship with the Town is such that exclusion would cause the Town’s financial statements to be misleading or incomplete. Accordingly, the Component Unit column of the government-wide financial statements includes the financial data of the Eldredge Public Library. Complete financial statements of the component unit can be obtained directly from the administrative office of Eldredge Public Library, Inc., located at 564 Main Street, Chatham, MA.

##### Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town’s joint ventures, their purpose, and the annual assessment paid by the Town. Financial statements may be obtained from each the joint ventures by contacting each of them directly. The Town does not have an equity interest in these joint ventures.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Assessment</u>
Cape Cod Municipal Health Group c/o Group Benefits Strategies 27 Midstate Office Park Auburn, MA 01501	To provide employee health insurance	\$ 2,170,062
Cape Cod Regional Technical High School Route 124 Harwich, MA 02645	To provide vocational education to students 9-12 grade	\$ 367,436
Monomoy Regional School District 81 Oak Street Harwich, MA 02645	To provide education to students K-12 grade	\$ 7,739,657
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide regional transportation services	\$ 15,760
District Department of Veteran Services PO Box 429 Hyannis, MA 02601	To provide services to veterans	\$ 41,817
Pleasant Bay Resource Management Alliance P.O. Box 1584 Harwich, MA 02645	To protect the vast natural resources of Pleasant Bay	\$ 32,774

# **TOWN OF CHATHAM, MASSACHUSETTS**

## **Notes to Financial Statements**

June 30, 2015

### **Related Organizations**

The Chatham Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

### **Note 2. Summary of Significant Accounting Policies**

#### **A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water and wood waste reclamation operations are classified as business-type activities.

#### **Government-wide Statements**

In the government-wide Statement of Net Position the non-fiduciary activities of the primary government and its component unit are reported. Both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The component unit of the Town is reported in a separate column. The Town's net position are reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions, business-type activities and component units. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function, a business-type activity or component unit. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function, business-type activity or component unit) are normally covered by general revenue. Certain costs, such as property and liability insurance, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities. Employee fringe benefit costs are reported in a separate "Employee Benefits" function.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

#### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Town:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

#### Major Funds

- General fund is the primary operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.
- Wastewater Facility is a capital projects fund used to account for and report construction of the Town's wastewater facility and related infrastructure.
- State Highway Chapter 90 is a special revenue fund, in accordance with Massachusetts General Laws, to account for improvements to highways.

Other governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the other governmental funds column of the governmental funds financial statements. The following described the general use of these fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens.

#### Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

#### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. Government Accounting Standards Board Pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The major funds for the current fiscal year are the General Fund, the Wastewater Facility and the State Highway Chapter 90 special revenue fund. The nonmajor funds are combined in a column in the fund financial statements.



## **TOWN OF CHATHAM, MASSACHUSETTS**

### **Notes to Financial Statements**

June 30, 2015

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

#### **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt, or earlier, if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

#### **C. Cash and Cash Equivalents, and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" include all demand and savings accounts of the Town.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Certificates of deposits have been classified as investments by the Town. Additional cash and investment disclosures are presented in the notes.

#### **D. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

#### **E. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 3% of outstanding water, septage and transfer station charges and 25% of ambulance charges to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable.

#### **F. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

##### Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	25-50 years
➤ Improvements	10-50 years
➤ Machinery and Equipment	3-20 years
➤ Utility System	25-50 years
➤ Infrastructure	25-50 years

##### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

#### **G. Deferred Outflows and Deferred Inflows**

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on the net position and are reported after assets, when applicable. Deferred inflows of resources, as applicable represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on the net position and are reported after liabilities, when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

#### **H. Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, post closure monitoring costs for municipal landfills, net OPEB obligations, and net pension obligations.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

#### **I. Compensated Absences**

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

#### **J. Equity Classifications**

##### **Government-wide Statements**

Equity is classified as net position and displayed in three components:

- **Net investment in capital assets**—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- **Restricted net position**—Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position**—Represents the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

#### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.
- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

#### **K. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

#### **L. Total Columns**

The total column presented on the government-wide financial statements represents consolidated financial information. The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

## **TOWN OF CHATHAM, MASSACHUSETTS**

### **Notes to Financial Statements**

June 30, 2015

#### **Note 3. Stewardship, Compliance and Accountability**

##### **A. Property tax calendar and limitations**

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy. A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

##### **B. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America ("GAAP"). A comparison of the budget to actual amounts on a "budgetary basis" is provided as required supplementary information to provide a meaningful comparison with the budget.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### **C. Fund Equities**

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2015, the classification of the Town's fund balances can be detailed as follows:

	<b>General Fund</b>	<b>Wastewater Facility</b>	<b>State Highway Chapter 90</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Nonspendable:</b>					
Education	\$	\$	\$	\$ 342,768	\$ 342,768
Public Works				429,281	429,281
subtotal				772,049	772,049
<b>Restricted:</b>					
General Government				3,365,481	3,365,481
Public Safety				177,461	177,461
Education				209,208	209,208
Public Works				7,931,344	7,931,344
Community Development				10,173	10,173
Human Services				151,222	151,222
Culture & Recreation				137,722	137,722
Coastal Resources				347,254	347,254
Debt Service	1,430,498				1,430,498
subtotal	1,430,498			12,329,865	13,760,363
<b>Committed:</b>					
General Government	790,976			1,362,310	2,153,286
Public Safety	188,128				188,128
Public Works	1,095,258				1,095,258
Community Development	122,650				122,650
Culture & Recreation				10,583	10,583
Human Services	957,584				957,584
Coastal Resources	21,234			220,471	241,705
subtotal	3,175,830			1,593,364	4,769,194
<b>Assigned:</b>					
General Government	20,771				20,771
Public Works	3,062				3,062
Community Development	35,500				35,500
Human Services	2,025				2,025
Culture & Recreation	870				870
Coastal Resources	23,742				23,742
Employee Benefits	2,315				2,315
To fund capital budget	900,000				900,000
subtotal	988,285				988,285
<b>Unassigned</b>	5,702,643	(4,919,459)		(191,782)	591,402
<b>Total</b>	<u>\$ 11,297,256</u>	<u>\$ (4,919,459)</u>	<u>\$</u>	<u>\$ 14,503,496</u>	<u>\$ 20,881,293</u>

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

Pursuant to MGL, the Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation, or in accordance with MGL for the Board of Selectmen to perform interfund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund unassigned fund balance. As of June 30, 2015, the Town maintained a balance of \$1,847,607 in its stabilization fund.

In addition, the general fund unassigned fund balance included a deficit of \$19,201 for snow and ice removal. The wastewater facility and other governmental funds reported deficits related to bond anticipation note borrowings for the capital projects and reimbursement grant funding not yet received.

#### **D. Restricted Net Position**

Certain net position reported as special revenue funds in the Town's fund basis Balance Sheet are classified as unrestricted net position because they are available for appropriation to fund the general operations of the Town.

Restricted net position on the government-wide statement of net position consist of the following:

Special Revenue Fund balances:	
Community Preservation Act Fund	\$ 2,368,107
Other special revenue funds	1,290,482
Permanent Funds:	
Expendable	123,003
Non-expendable	772,049
Total restricted net position	<u>\$ 4,553,641</u>

#### **Note 4. Cash, cash equivalents, and investments**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. OPEB funds are invested in accordance with MGL Chapter 203c. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. At June 30, 2015 (primary government) deposits totaled \$25,913,533 and had a carrying amount of \$24,885,353. Of the deposit amount, \$1,496,053 was exposed to custodial credit risk at June 30, 2015 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

At June 30, 2015 the carrying amount of deposits for the Component Unit totaled \$113,233. The total bank balance was covered by Federal Depository Insurance.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

The Town's investments are as follows:

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Rating</u>	<u>N/A</u>	<u>Maturity</u>		
				<u>12 months or less</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>
U.S. Treasury Notes	\$ 1,001,575	Aaa	\$	\$	\$1,001,575	\$ -
Common Stock	867,043	N/A	867,043			
MMDT	1,665,453	N/A	1,665,453			
Money Market Securities	244,812	N/A	244,812			
Certificates of Deposit	1,208,671	N/A		872,034	336,637	
Mutual Funds	409,300	N/A	409,300			
Corporate Bonds	664,872	A1 - Baa1		183,028	481,844	
Total governmental activities	<u>\$ 6,061,726</u>		<u>\$ 3,186,608</u>	<u>\$ 1,055,062</u>	<u>\$1,820,056</u>	<u>\$ -</u>
Common Stock	65,359	N/A	65,359			
Money Market Securities	405	N/A	405			
Mutual Funds	40,477	N/A	40,477			
Total fiduciary funds	<u>\$ 106,241</u>		<u>\$ 106,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Component Unit's investments are as follows:

<u>Investment Type</u>	<u>(Level 1) Fair Market Value</u>	<u>Rating</u>	<u>Maturity</u>
Cash held for investment	\$ 523,016	N/A	N/A
Bonds	1,135,603	Not provided	Not provided
Mutual Funds	<u>3,388,121</u>	N/A	N/A
Total component unit	<u>\$ 5,046,740</u>		

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy addresses custodial credit risk by tracking the credit worthiness and diversification for all unsecured bank deposits. The Town's certificates of deposit are covered by FDIC insurance limits.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town's investment policy minimizes interest rate risk by structuring the investments so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term banking instruments, securities, money market mutual funds, or similar investment pools. The approximate maturities of the Town's debt investments are disclosed in the above table.

*Concentration of credit risk* – The Town does not have an investment policy, which limits the amount that can be invested in any one issuer or security. Excluding U.S. Treasury securities, mutual funds and external investment pools, there are no securities or issuers, which represent more than 5% of the total investments of the general fund/governmental activities and fiduciary funds respectively.



# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities and equity mutual funds are not rated as to credit risk. The average ratings of the Town's corporate bonds are disclosed in the above table. The Town's investment policy minimizes credit risk by diversification, prudent selection of investment instruments and limiting investments to highly safe types of securities.

### **Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Position.

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts:

<b><u>Receivable type</u></b>	<b><u>Gross Amount</u></b>	<b><u>Allowance for Uncollectible</u></b>	<b><u>Net Amount</u></b>
Real estate and personal property taxes	\$ 705,770	\$ (116,000)	\$ 589,770
Tax liens, deferrals and foreclosures	573,100		573,100
Motor vehicle and other excise	281,172	(194,000)	87,172
Departmental and other	312,500	(44,000)	268,500
Betterments and special assessments	527,528		527,528
Intergovernmental:			
School Building Assistance	2,348,036		2,348,036
State Highway Awards – Chapter 90	2,108,650		2,108,650
Total on governmental fund basis	6,856,756		
Totals on entity-wide basis	<u>\$ 6,856,756</u>	<u>\$ (354,000)</u>	<u>\$ 6,502,756</u>

Receivables for the Town's business-type activities (Water) consist of the following:

<b><u>Receivable type</u></b>	<b><u>Gross Amount</u></b>	<b><u>Allowance for Uncollectible</u></b>	<b><u>Net Amount</u></b>
Water rates and charges	\$ 316,033	\$	\$ 316,033
Unbilled water rates	672,000		672,000
Allowance for uncollectible		(29,000)	(29,000)
Totals	<u>\$ 988,033</u>	<u>\$ (29,000)</u>	<u>\$ 959,033</u>

### **Note 6. Other Receivables**

The Massachusetts Clean Water Trust ("MCWT") interim note dated June 5, 2014 for \$24,240,000 (Note 11) was issued for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The note receivable is \$22,705,123 as of June 30, 2015 the town received \$1,534,877 during the year.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

The Massachusetts Clean Water Trust ("MCWT") interim note for \$4,458,767 (Note 11) was issued for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The note receivable is \$610,914 as of June 30, 2015 the town received \$3,847,853 during the year.

The Massachusetts Clean Water Trust ("MCWT") draw down outstanding noted above relates to a \$2,256,265 loan (Note 11) issued to the Town on May 22, 2013 for the wastewater treatment facility project. The funds for this interim loans will be disbursed to the Town as reimbursements for the project. The receivable at June 30, 2015 was \$65,900.

### **Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

<b><u>Governmental activities:</u></b>	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Capital assets not being depreciated:				
Land	\$ 30,779,609	\$ 710,000	\$	\$ 31,489,609
Construction in Progress	6,392,658	6,665,838		13,058,496
Sub-total	37,172,267	7,375,838		44,548,105
Capital assets being depreciated:				
Buildings and related improvements	118,593,765			118,593,765
Improvements other than buildings	13,859,194			13,859,194
Equipment, machinery & vehicles	7,570,397	260,391	(56,596)	7,774,192
Infrastructure	19,390,991	229,888		19,620,879
Sub-total	159,414,347	490,279	(56,596)	159,848,030
Less accumulated depreciation:				
Buildings and related improvements	23,812,796	3,025,720		26,838,516
Improvements other than buildings	7,840,337	492,493		8,332,830
Equipment, machinery & vehicles	4,869,888	530,340	(25,638)	5,374,590
Infrastructure	11,743,173	292,971		12,036,144
Sub-total	48,266,194	4,341,524	(25,638)	52,582,080
Governmental capital assets, net	<u>\$ 148,320,420</u>	<u>\$ 3,524,593</u>	<u>\$ (30,958)</u>	<u>\$ 151,814,055</u>
<b><u>Business-type activities:</u></b>				
<b><u>Water Activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 938,433	\$	\$	\$ 938,433
Construction in progress	225,100	441,122		666,222
Sub-total	1,163,533	441,122		1,604,655
Capital assets being depreciated:				
Buildings and related improvements	1,451,995			1,451,995
Improvements other than buildings	687,423			687,423
Equipment, machinery & vehicles	140,182			140,182
Infrastructure	33,480,731	287,261		33,767,992
Sub-total	35,760,331	287,261		36,047,592
Less accumulated depreciation:				
Buildings and related improvements	333,413	53,655		387,068
Improvements other than buildings	133,893	34,669		168,562
Equipment, machinery & vehicles	68,956	21,158		90,114
Infrastructure	19,666,964	670,177		20,337,141
Sub-total	20,203,226	779,659		20,982,885
Water activities capital assets, net	16,720,638	(51,275)		16,669,362
<b><u>Wood Waste Activities</u></b>				
Land	2,225,000			2,225,000
Wood Waste activities capital assets, net	2,225,000			2,225,000
Business-Type capital assets, net	<u>\$ 18,945,638</u>	<u>\$ (51,275)</u>	<u>\$</u>	<u>\$ 18,894,362</u>

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Component unit activities:</u></b>				
Capital assets not being:				
Equipment & Furniture	\$ 351,646	\$ 23,847	\$	\$ 375,493
Less accumulated depreciation:				
Equipment & Furniture	337,825	7,017		344,842
Component unit capital assets, net	<u>\$ 13,821</u>	<u>\$ 16,830</u>	<u>\$</u>	<u>\$ 30,651</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 170,383
Public safety	572,038
Education	605,045
Public works	2,331,849
Health and human services	20,426
Culture and recreation	400,929
Coastal resources	240,854
Total depreciation expense – governmental activities	<u>\$ 4,341,524</u>

Business-type activities:

Water/Total	<u>\$ 779,659</u>
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Component unit activities:

Eldredge Public Library/Total	<u>\$ 7,017</u>
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### **Note 8. Interfund balances and activity**

Other governmental funds were due, \$1,515,471, from the Wastewater Facility fund at June 30, 2015.

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Business-Type Water Fund</u>	<u>Business- Type Wood Waste Fund</u>	<u>Fiduciary- OPEB Fund</u>
Amounts transferred from Waterways Improvement to fund FY 2015 operating budget	\$ 450,000	\$ (450,000)	\$	\$	\$
Amounts transfer from Land Bank Fund to supplement FY 2015 budget	902,031	(902,031)			
Amounts transferred from Wetlands Protection Funds to supplement FY 2015 budget	10,000	(10,000)			
Amounts transferred to general fund from insurance proceeds received	47,377	(47,377)			
Amounts transferred from Railroad Museum fund to supplement FY 2015 budget	3,263	(3,263)			
Amounts transferred from PEG Access fund to supplement FY 2015 budget	30,000	(30,000)			
Amounts transferred from Cemetery Perpetual Care to supplement FY 2015 budget	1,000	(1,000)			
Amounts transferred from General Fund to Pleasant Bay Alliance Management Fund to fund Operations	(32,774)	32,774			
Amounts transferred to cultural council	(4,000)	4,000			
Amounts transferred to fund depot road project	(698,495)	698,495			
Amounts transferred to OPEB Fund	(150,000)				150,000
General Fund funding of Water Fund	(400,000)		400,000		
Amounts transferred from Water Fund to fund Indirect costs appropriated in General Fund	272,889		(272,889)		
Totals on budgetary basis	431,291	(708,402)	127,111		150,000

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Business-Type Water <u>Fund</u>	Business Type Wood Waste <u>Fund</u>	Fiduciary- OPEB <u>Fund</u>
Amounts transferred from General Fund to Woodwaste Fund to fund debt service costs	\$ (190,300)	\$	\$	\$ 190,300	\$
Water Fund overhead reclassified for modified accrual basis	(272,889)		272,889		
Totals on governmental fund basis	<u>\$ (31,898)</u>	<u>\$ (708,402)</u>	<u>\$ 400,000</u>	<u>\$ 190,300</u>	<u>\$ 150,000</u>

### **Note 9. Long-term obligations**

#### **Long-term debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

<u>Purpose</u>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
MCWT Septic betterment subsidized bond, due 2023	\$ 76,023	\$	\$ (10,828)	\$ 65,195	\$ 10,829
Municipal purposes-refunding, 3.98%, due 2021	349,682		(139,894)	209,788	49,894
Municipal purposes-refunding, 2.5%-5.0%, due 2016	1,035,000		(345,000)	690,000	345,000
Municipal purposes, 3.75%-4.1%, due 2025	2,390,000		(325,000)	2,065,000	325,000
Municipal purposes, subsidized, due 2025	30,000		(2,500)	27,500	2,500
Municipal purposes - refunding, 3.0%-5.0%, due 2019	4,780,000		(1,070,000)	3,710,000	1,055,000
Municipal purposes, 3.0% - 5.0%, due 2028	8,800,000		(860,000)	7,940,000	860,000
Municipal purposes, 3.0% - 5.0%, due 2038	-	10,320,000		10,320,000	440,000
MCWT Wastewater Treatment Facility, 2.0%, due 2028	2,875,950		(143,470)	2,732,480	146,368
Municipal purposes, 2.0% - 5.0%, due 2037	19,395,000		(1,010,000)	18,385,000	1,005,000
USDA Sewer Bond, 2.75%, due 2049	20,418,754		(583,393)	19,835,361	583,393
USDA Sewer Bond, 2.75%, due 2049	1,668,136		(47,662)	1,620,474	47,662
MCWT Wastewater Treatment Facility, 2.0%, due 2032	7,214,803		(310,759)	6,904,044	317,513
MCWT Wastewater Treatment Facility, 0.0%, due 2033	2,145,052	-	(111,380)	2,033,672	111,547
MCWT Wastewater Treatment Facility, 0.0%, due 2035		3,847,853	-	3,847,853	189,664
Total long-term bonds	71,178,400	14,167,853	(4,959,886)	80,386,367	5,489,370
Landfill closure and monitoring liability	250,000		(25,000)	225,000	25,000
Net pension liability	15,922,571	134,682		16,057,253	
Other post employment benefits	10,074,477	1,317,825	(919,259)	10,473,043	
Compensated absences	889,364	136		889,500	
Total governmental noncurrent liabilities	<u>\$ 98,314,812</u>	<u>\$ 15,620,496</u>	<u>\$ (5,904,145)</u>	<u>\$ 108,031,163</u>	<u>\$ 5,514,370</u>
<b>Business-type activities:</b>					
<b>Water Activities</b>					
Land acquisition, 5.23%, due 2014	\$ 15,318	\$	\$ (5,106)	\$ 10,212	\$ 5,106
Municipal purposes-refunding, 3.98%, due 2021	520,000		(200,000)	320,000	90,000
Municipal purposes, 3.75% - 4.1%, due 2025	1,865,000		(160,000)	1,705,000	155,000
Municipal purposes, 4.25%, due 2049	437,500		(12,500)	425,000	12,500
Municipal purposes, 3.0% - 5.0%, due 2028	445,000		(35,000)	410,000	35,000
Municipal purpose - refunding, 3.0% - 5.0%, due 2019	250,000		(50,000)	200,000	50,000
Municipal purpose, 2.0% - 5.0%, due 2032	1,345,000		(80,000)	1,265,000	80,000
Municipal purposes, 3.0% - 5.0%, due 2038	-	1,630,000		1,630,000	235,000
Total long-term bonds payable	4,877,818	1,630,000	(542,606)	5,965,212	662,606
Net pension liability	2,592,000	22,000		2,614,000	
Compensated absences	7,196		(4,296)	2,900	
Total water activities noncurrent liabilities	<u>\$ 7,477,014</u>	<u>\$ 1,652,000</u>	<u>\$ (546,902)</u>	<u>\$ 8,582,112</u>	<u>\$ 662,606</u>
<b>Wood Waste Activities</b>					
Land acquisition, 3.0% - 5.0%, due 2028	\$ 875,000	\$	\$ (150,000)	\$ 725,000	\$ 145,000
Total wood waste activities noncurrent liabilities	<u>875,000</u>		<u>(150,000)</u>	<u>725,000</u>	<u>145,000</u>
Total business-type activities noncurrent liabilities	<u>\$ 8,352,014</u>	<u>\$ 1,652,000</u>	<u>\$ (696,902)</u>	<u>\$ 9,307,112</u>	<u>\$ 807,606</u>
<b>Component unit activities:</b>					
Compensated absences	\$ 15,330	\$	\$ 6,171	\$ 21,501	\$
Total component unit activities noncurrent liabilities	<u>\$ 15,330</u>	<u>\$</u>	<u>\$ 6,171</u>	<u>\$ 21,501</u>	<u>\$</u>

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

Outstanding Massachusetts Clean Water Trust (“MCWT”) bonds are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that the Commonwealth of Massachusetts will subsidize the interest portion of the debt service via contract payments to MCWT (and MCWT available earnings). These payments are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2015, including interest, are as follows:

<b>Year Ending June 30,</b>	<b><u>Governmental Activities</u></b>			<b><u>Business-Type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 5,489,370	\$2,424,490	\$7,913,860	\$807,606	\$273,331	\$1,080,937
2017	5,484,679	2,206,504	7,691,183	807,606	235,585	1,043,191
2018	5,084,766	2,024,352	7,109,118	737,500	202,405	939,905
2019	4,556,041	1,870,240	6,426,281	737,500	173,123	910,623
2020	3,936,995	1,710,242	5,647,237	687,500	140,099	827,599
2021 – 2025	17,214,751	6,769,886	23,984,637	1,877,500	398,463	2,275,963
2026 – 2030	14,502,738	4,430,798	18,933,536	667,500	121,853	789,353
2031 – 2035	11,802,292	2,784,395	14,586,687	192,500	51,494	243,994
2036 – 2040	6,635,275	1,400,527	8,035,802	62,500	31,875	94,375
2041 – 2045	3,155,275	670,713	3,825,988	62,500	18,594	81,094
2046 – 2050	2,524,185	231,798	2,755,983	50,000	5,310	55,310
Totals	<u>\$80,386,367</u>	<u>\$26,523,945</u>	<u>\$106,910,312</u>	<u>\$ 6,690,212</u>	<u>\$1,652,132</u>	<u>\$8,342,344</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Department of Revenue. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2015:

<b><u>Purpose</u></b>	<b><u>Year(s) Authorized</u></b>	<b><u>Amount</u></b>
Community septic - betterment	2002	\$ 150,000
Planning – roads	1995	150,000
Community center	2003	15,000
Water and well pumping station	2006	560,000
Road/sidewalk/bike path	2007	200,000
Ell Street and Sky Way Improvements	2009	25,000
Mill Pond Wells	2012	650,000
Water main replacement	2012	720,000
Wastewater Treatment Facility	2013	761,233
Fire Station Design and Construction	2014	566,635
Iron & Manganese Treatment Facility	2014	5,533,000
Wastewater Treatment Facility	2014	3,040,000
		<u>\$ 12,370,868</u>

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### Lease obligations

#### *A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases are immaterial as of June 30, 2015.

#### *B. Capital leases*

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not exceed five years and subject to annual appropriation. The Town does not have any material capital lease obligations outstanding as of June 30, 2015.

### **Note 10. Deferred outflows and deferred inflows of resources**

The following is a summary of the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2015.

<b>Governmental activities:</b>	<b><u>June 30, 2015</u></b>
<b>Deferred outflows of resources:</b>	
Net difference between projected and actual pension earnings	\$ 27,976
Unamortized bond costs	<u>42,365</u>
Total deferred outflows of resources	<u><u>\$ 70,341</u></u>
<b>Deferred inflow of resources:</b>	
Deferred revenues	\$ 2,108,650
Unamortized bond premiums	<u>1,676,783</u>
Total deferred inflows of resources	<u><u>\$ 3,785,433</u></u>
<b>Business-type activities-</b>	
<b>Deferred outflows of resources:</b>	
Net difference between projected and actual pension earnings	\$ 4,000
Unamortized bond costs	<u>3,461</u>
Total deferred outflows of resources	<u><u>\$ 7,461</u></u>
<b>Deferred inflow of resources:</b>	
Unamortized bond premiums	<u><u>\$ 15,721</u></u>
<b>Governmental funds</b>	
<b>Deferred inflows of resources</b>	
Deferred revenues	<u><u>\$ 4,544,319</u></u>

### **Note 11. Temporary borrowings**

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs and RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the appropriate funds.

Changes in the Town's short-term debt for the year ended June 30, 2015 are as follows:

<b><u>Governmental Activities</u></b>							
<b><u>Type/ Dated Date</u></b>	<b><u>Purpose</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>	<b><u>Balance July 1, 2014</u></b>	<b><u>Issued</u></b>	<b><u>Retirements/ Bonded</u></b>	<b><u>Balance June 30, 2015</u></b>
MA Clean Water Trust - Interim Loan 6/5/2014	Municipal Purposes	2.0%	N/A	\$ 24,240,000	\$	\$ 3,469,583	\$ 20,770,417
MA Clean Water Trust Interim Loan 8/15/2014	Municipal Purposes	0.10%	N/A	4,458,767		3,847,853	610,914
MA Clean Water Trust Interim Loan 6/5/2014	Municipal Purposes	2.0%	N/A		3,469,583		3,469,583
ARRA Principal Forgiveness Portion of Interim Note	Municipal Purposes	N/A	N/A	1,435,011			1,435,011
BAN 6/26/2015	Municipal Purposes	0.60%	6/24/2016		500,000		500,000
BAN 6/17/2014	Municipal Purposes	0.43%	6/26/2015	2,570,000		2,570,000	-
<b>Total Governmental Activities</b>				<b>\$ 32,703,778</b>	<b>\$3,969,583</b>	<b>\$ 9,887,436</b>	<b>\$ 26,785,925</b>
<b><u>Business-Type Activities</u></b>							
<b><u>Type/ Dated Date</u></b>	<b><u>Purpose</u></b>	<b><u>Interest Rate</u></b>	<b><u>Maturity Date</u></b>	<b><u>Balance July 1, 2014</u></b>	<b><u>Issued</u></b>	<b><u>Retirements/ Bonded</u></b>	<b><u>Balance June 30, 2015</u></b>
<b><u>Water Activities:</u></b>							
BAN 6/17/2014	Municipal Purposes	0.43%	6/26/2015	\$1,410,000	\$ -	\$ 1,410,000	\$ -
<b>Total Business-Type Activities</b>				<b>\$1,410,000</b>	<b>\$ -</b>	<b>\$ 1,410,000</b>	<b>\$ -</b>

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has deficit fund balances in the Capital Projects Fund. These deficits will be funded through long-term borrowing. The ARRA principal forgiveness portion of interim loan above was issued by the MCWT on January 22, 2010 for the wastewater treatment facility project. This loan is eligible for grant funding received under the American Recovery and Reinvestment Act of 2009 ("ARRA"). Accordingly, the construction project is subject to special ARRA conditions and requirements for the duration of the project. Upon completion and issuance of approved project completion certificates the loan of \$12,243,500 qualifies for principle forgiveness of \$1,435,011 representing nearly 12% in savings on project costs. Since the project has not been completed the potential principle forgiveness remains as an outstanding liability of the Town as of June 30, 2015.

## **Note 12. Employee Benefits**

### **A. Retirement Benefits**

#### **Plan Description**

The Barnstable County Retirement Association (the "Association" or "Plan") is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board (the "Board"), with the exception of school department employees who serve in a teaching capacity. The Town is a member of the Monomoy Regional School District. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System ("MTRS"). Accordingly, the District is responsible for the associated benefits. Membership in the Association is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of January 1, 2014, the Association had 50 participating employers.

## TOWN OF CHATHAM, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

The Association is a member of the Massachusetts Contributory Retirement System and is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law ("M.G.L.") and other applicable statutes. The Public Employee Retirement Administration Commission ("PERAC") is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five member Board who establish the policies under which the Association operates. The Association has issued a publicly available financial report that includes audited financial statements and required supplementary information for the year ended December 31, 2014, which may be obtained by writing to the Association directly at the following address: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

#### *Benefits Provided:*

The Association provides retirement, disability, survivor, and death benefits to plan members and their beneficiaries. Massachusetts General Laws ("M.G.L.") establish uniform benefit and contribution requirements for all contributory public employee retirement systems ("PERS"). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of credible service, and group credible service and group classification. The authority for amending these provisions rests with the Legislature.

#### *Contributions:*

There are three classifications of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general public employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Group 4 consists of mainly police officers and firefighters.

Any individual in Group 1 or Group 2, whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or older, regardless of the number of years of credible service.

Members in Group 1 and Group 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and Group 2, hired after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$1,734,970, which was net of the discount of approximately \$20,000.



# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### *Pension liabilities, expenses, and deferred outflows of resources related to pensions:*

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2014 (measurement date). The components of this valuation, as it pertains to the Town are summarized below at December 31, 2014 based upon the valuation date of January 1, 2014:

	<b>2014</b>
Total pension liability	\$1,426,632,712
Less: Plan fiduciary net position	(862,069,292)
Net pension liability	<u>\$ 564,563,420</u>
Plan fiduciary net position as a percentage of the total pension liability	60.43%
Total employer pension expense	\$ 55,332,919
Town's proportionate share of the collective net pension liability	\$ 18,671,253
Town's percentage share of the collective net pension liability	3.30%
Town's covered payroll	\$ 8,674,713
Town's proportionate share of pension expense recognized	\$ 1,829,972

The Town's proportionate share of collective deferred outflows of resources of \$966,861 as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$31,976. This amount is to be recognized in future pension expense as follows:

### **Year ended June 30,**

2016	\$ 7,994
2017	7,994
2018	7,994
2019	7,994
	<u>\$ 31,976</u>

### *Actuarial Assumptions:*

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Payments increase at 4.0%, except for 2010 Early Retirement Incentive, which is at a level payment.
Inflation Rate:	4.0%
Asset Valuation Method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Projected Salary Increases:	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.5% for Group 2, and 4.75% for Group 4.
Cost of Living Adjustments:	3.0% of the first \$15,000 of retirement income.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### Mortality Rates:

Pre-retirement:	The RP-2000 Employee Mortality Table projected generationally with Scale AA from 2010.
Healthy Retiree:	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2010.
Disabled Retiree:	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally using Scale AA from 2010.

The pension plan's policy in regards to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	20.0%	6.6%
International developed markets equity	16.0%	7.1%
International emerging markets equity	7.0%	9.4%
Core fixed income	13.0%	2.2%
High-yield fixed income	10.0%	4.7%
Real estate	10.0%	4.4%
Commodities	4.0%	4.4%
Hedge fund, GTAA, Risk parity	10.0%	3.9%
Private equity	10.0%	11.7%
Total	<u>100.0%</u>	

### Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity Analysis:

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan's and the Town's proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at December 31, 2014:

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

	<u>1% Decrease to 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase to 8.75%</u>
BCRA - Total Plan	\$ 727,809,353	\$ 564,563,420	\$ 426,139,334
Town's proportionate share	\$ 24,070,126	\$ 18,671,253	\$ 14,093,289

### **B. Compensated Absences**

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities.

### **C. Other Post Employment Benefits**

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays 50% of the health, dental, life and vision insurance premiums for approximately 200 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid.

### **Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 1,162,949
Interest on net OPEB obligation	604,469
Adjustment to annual required contribution	<u>(449,593)</u>
Annual OPEB cost (expenses)	1,317,825
Contributions made	<u>(919,259)</u>
Increase in net OPEB obligation	398,566
Net OPEB obligation, beginning year	<u>10,074,477</u>
Net OPEB obligation, end of year	<u><u>\$ 10,473,043</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$1,317,825	69.76%	\$ 10,473,043
6/30/2014	\$1,219,999	60.14%	\$ 10,074,477
6/30/2013	\$1,174,095	63.62%	\$ 9,588,138

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### Funding Status and Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Percentage of Covered Payroll [(b)-(a)]/c]
6/30/2014	\$ 102,543	\$ 16,771,422	\$ 16,668,879	0.61%	N/A	N/A
6/30/2012	\$	\$ 16,559,085	\$ 16,559,085	0.00%	\$ 10,316,453	160.5%

The unfunded actuarial liability was determined using a thirty year open amortization basis increasing at 4.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 6.0% per annum

Medical/Drug Cost Trend Rates: 10.0% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year for participants under 65 years old. 10.0% decreasing by 0.5% for 10 years to an ultimate rate of 5.0% per year for participants over 65 years old.

Dental Cost Trend Rate: None

General Inflation Assumption: 4.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortization payments increasing at 4.0% over 30 years

Remaining Amortization Period: 24 years at June 30, 2014

### Note 13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

## **TOWN OF CHATHAM, MASSACHUSETTS**

### **Notes to Financial Statements**

**June 30, 2015**

As of June 30, 2015, \$225,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. The current portion of the landfill closure is \$25,000. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

#### **Note 14. Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risk except health insurance. As discussed in Note 1, the Town participates in the Cape Cod Municipal Health Group (the Group), a municipal joint-purchase group consisting of 52 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both contribute to the Group based upon a 70% (Town) and 30% (Employee) primary care premium formula (65% Town and 35% employee after the ratification date of each contract). The Town budgets, annually, in the general fund for its estimated share of contributions.

#### **Note 15. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

#### **Note 16. Monomoy Regional School District**

July 1, 2012 was the official start date for the Monomoy Regional School District (the District), comprised of the Town of Harwich and Town of Chatham. The District was formed by votes of the member towns in December 2010, in accordance with Massachusetts General Law. The District is to provide education to the member towns' students grades K-12. The District's operating, capital, transportation and debt service budgets are assessed to the members based upon the Regional Agreement dated January 19, 2011. Pursuant to the regional agreement and MGL all district assessments must be accepted by each Town's Town Meeting on an annual basis.

The Regional District School Committee operates under the provisions of Chapter 71, Section 16A and other applicable MGL. Due to the disparity in the population of the member towns, the Committee operates under a "weighted voting" methodology, whereas the four (4) Committee members from Town of Harwich have one full vote on all matters and the four (4) Committee members from Town of Chatham have 50% of a vote on all matters for a total of six (6) votes. For a motion to pass, a majority of the six (6) votes must be cast in the affirmative with at least one affirmative vote from each town.

Pursuant to the regionalization agreement, the Town maintains ownership of its current school buildings and grounds and shall lease these to the District for the sum of one dollar a year for a term up to twenty (20) years with additional extensions possible at the discretion of the Regional District School Committee. At the point these buildings and grounds are no longer needed by the District, per vote of the Regional District School Committee, custody and control will revert back to the town.

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### **17. Restatement of Certain Beginning Balances**

The following table illustrates certain reclassifications of beginning net position:

#### **Governmental Activities**

Net position as of June 30, 2014	\$ 79,314,145
Implementation of GASB 68	
Town's share of net pension liability	(15,922,571)
Net position, restated as of July 1, 2014	<u>\$ 63,391,574</u>

#### **Business-type Activities**

	<b><u>Total</u></b>	<b><u>Water</u></b>	<b><u>Wood Waste</u></b>
Net position as of June 30, 2014	\$16,068,540	\$14,535,666	\$1,532,874
Implementation of GASB 68			
Town's share of net pension liability	(2,592,000)	(2,592,000)	-
Net position, restated as of July 1, 2014	<u>\$ 13,476,540</u>	<u>\$ 11,943,666</u>	<u>\$ 1,532,874</u>

### **Note 18. Implementation of GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board ("GASB"), which are applicable to the Town's financial statements.

#### **Current pronouncements**

The GASB issued Statement #68, Accounting and Financial Reporting for Pension, which was required to be implemented in fiscal year 2015. The pronouncement required governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The Town implemented the pronouncement.

The GASB issued Statement #71, Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB #68, which was required to be implemented in fiscal year 2015. The pronouncement addresses transition provisions of GASB #68 for accounting amounts associated with contributions, if any, made by a local government or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Town implemented the pronouncement.

#### **Future pronouncements**

The GASB issued Statement #72, Fair Value Measurement and Application, which is required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #75, Financial Reporting for Postemployment Benefit Plans Other Than Pensions, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is required to be implemented in fiscal year 2017. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles ("GAAP"). The Town expects to implement the pronouncement as applicable.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF CHATHAM, MASSACHUSETTS**

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes and payments in lieu	\$ 29,330,563	\$ 29,330,563	\$ 29,617,763	\$ 287,200
Excise taxes	2,280,000	2,280,000	2,855,815	575,815
Licenses and permits	770,000	770,000	1,104,524	334,524
Penalties and interest	100,000	100,000	178,476	78,476
Investment interest	19,000	19,000	24,263	5,263
Charges for services	2,140,000	2,140,000	2,443,067	303,067
Special assessments	100,000	100,000	106,538	6,538
Fees and fines	50,000	50,000	59,324	9,324
Departmental and other	433,352	433,352	1,172,571	739,219
Intergovernmental	1,140,498	1,140,498	1,138,877	(1,621)
Total revenues	<u>36,363,413</u>	<u>36,363,413</u>	<u>38,701,218</u>	<u>2,337,805</u>
<b>Expenditures</b>				
General government	4,374,242	3,187,497	2,805,313	382,184
Public safety	5,399,364	5,873,984	5,896,910	(22,926)
Education	8,107,094	8,107,094	8,107,093	1
Public works	6,441,995	5,335,674	5,288,280	47,394
Community planning and development	943,659	785,509	654,997	130,512
Health & human services and coastal resources	3,172,819	2,174,640	2,140,209	34,431
Community and social services	1,022,398	1,020,373	967,510	52,863
Employee benefits	4,144,074	4,181,759	4,178,033	3,726
State and county assessments	675,551	675,551	669,675	5,876
Debt service	7,658,244	7,333,244	7,168,547	164,697
Total expenditures	<u>41,939,440</u>	<u>38,675,325</u>	<u>37,876,567</u>	<u>798,758</u>
Revenues over (under) expenditures	(5,576,027)	(2,311,912)	824,651	3,136,563
<b>Other financing sources (uses)</b>				
Transfers in from other funds	1,221,031	1,221,031	1,716,559	495,528
Transfers out to other funds	(550,000)	(550,000)	(1,285,268)	(735,268)
Total other financing sources	<u>671,031</u>	<u>671,031</u>	<u>431,291</u>	<u>(239,740)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(4,904,996)	(1,640,881)	<u>\$ 1,255,942</u>	<u>\$ 2,896,823</u>
<b>Other budget items</b>				
Free cash appropriations	2,098,494	2,098,494		
Prior year overlay deficits	(21,785)	(21,785)		
Carryover encumbrances and articles	2,828,287	(435,828)		
Total other budget items	<u>4,904,996</u>	<u>1,640,881</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditors' Report

# TOWN OF CHATHAM, MASSACHUSETTS

## Notes to Required Supplementary Information

June 30, 2015

### **Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule – General Fund, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2015, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 38,701,218	\$ 37,876,567	\$ 431,291
Adjustment of property tax revenues to modified accrual basis	(217,950)		
MCWT subsidy accrual	5,127	5,127	
Stabilization fund, net activity	20,086		-
Adjustment for waste wood reclamation fund debt service payments		(190,300)	(190,300)
Adjustment for budgeted allocation of water fund overhead costs		(272,889)	(272,889)
As reported on a GAAP basis	<u>\$ 38,508,481</u>	<u>\$ 37,418,505</u>	<u>\$ (31,898)</u>

See Independent Auditors' Report

**TOWN OF CHATHAM, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Funding Progress – Other Post Employment Benefits (“OPEB”) Plan  
 June 30, 2015

**Schedule of Funding Progress**

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The unfunded actuarial accrued liability was determined using thirty year open amortization basis increasing at 4.0%.

		Actuarial				UAAL as a
	Actuarial	Accrued	Unfunded			Percentage of
Actuarial	Value of	Liability	AAL	Funded	Covered	Covered
Valuation	Assets	(AAL)	(UAAL)	Ratio	Payroll	Payroll
<u>Date</u>	<u>(a)</u>	<u>(b)</u>	<u>(b)-(a)</u>	<u>(a)/(b)</u>	<u>(c)</u>	<u>[(b)-(a))/c]</u>
6/30/2014	\$ 102,543	\$ 16,771,422	\$ 16,668,879	0.61%	N/A	N/A
6/30/2012	\$ -	\$ 16,559,085	\$ 16,559,085	0.00%	\$ 10,316,453	160.5%
6/30/2010	\$ -	\$ 43,726,097	\$ 43,726,097	0.00%	\$ 18,055,803	242.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 6.0% per annum

Medical/Drug Cost Trend Rates: 10.0% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year for participants under 65 years old. 10.0% decreasing by 0.5% for 10 years to an ultimate rate of 5.0% per year for participants over 65 years old.

Dental Cost Trend Rate: None

General Inflation Assumption: 4.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortization payments increasing at 4.0% over 30 year

Remaining Amortization Period: 24 years at June 30, 2014

**TOWN OF CHATHAM, MASSACHUSETTS**  
Required Supplementary Information  
Schedule of Contributions – Pension Plan  
June 30, 2015

**Schedule of Contributions – Pension Plan**

*1. Barnstable County Retirement Association*

The Barnstable County Retirement Association (the “Association”) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all eligible employees of the governmental member units, with the exception of school department employees who serve in a teaching capacity. Based upon the actuarial valuation date of the Association of January 1, 2014, the following is presented:

	<b>2014</b>
Total pension liability	\$ 1,426,632,712
Less: Plan fiduciary net position	(862,069,290)
Net pension liability	<u>\$ 564,563,420</u>
Plan fiduciary net position as a percentage of total pension liability:	60.43%
Town's proportionate/allocated share of the collective net pension liability:	\$ 18,671,253
Town's proportionate share of pension expense:	\$ 1,829,972
Town's proportionate share of collective net pension liability as a percentage of the total:	3.30%
Actuarially determined contributions:	\$ 1,734,970
Contributions in relation to the actuarial determined contribution:	<u>1,734,970</u>
Contribution deficiency (excess):	<u>\$ -</u>
Town's covered payroll:	\$ 8,674,713
Town's contributions as a percentage of covered payroll:	20.00%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll:	215.2%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditor's Report.



111 Huntington Avenue  
Boston, MA 02199  
Telephone: 617-239-0100  
Fax: 617-227-4420  
www.lockelord.com

(Date of Delivery)

Alix Heilala, Finance Director  
Town of Chatham  
Chatham, Massachusetts

\$7,390,000  
Town of Chatham, Massachusetts  
General Obligation Refunding Bonds  
Dated September 1, 2016

We have acted as bond counsel to the Town of Chatham, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon

be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

/s/ LOCKE LORD LLP

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Chatham, Massachusetts (the “Issuer”) in connection with the issuance of its \$7,390,000 General Obligation Refunding Bonds dated September 1, 2016 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated August 23, 2016 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.



7. Modifications to rights of the Owners of the Bonds, if material.
  8. Bond calls, if material, and tender offers.
  9. Defeasances.
  10. Release, substitution or sale of property securing repayment of the Bonds, if material.
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.\*
  13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: September 1, 2016

TOWN OF CHATHAM,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

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[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]